| | | |
|---|---|---|
| Austria ... Sch. 18 | Indonesia ... Rp 2500 | Portugal ... Esc 80 |
| Bahrain ... Din 0.650 | Italy ... L 1300 | S. Arabia ... Rls 6.00 |
| Belgium ... BFr 42 | Japan ... Y550 | Singapore ... S$ 4.10 |
| Canada ... C$1.00 | Jordan ... Fils 500 | Spain ... Pta 110 |
| Cyprus ... C£0.60 | Kuwait ... Fils 500 | Sri Lanka ... Rup 30 |
| Denmark ... Dkr 7.25 | Lebanon ... £L 6.00 | Sweden ... Skr 6.50 |
| Egypt ... E£1.00 | Luxembourg ... LFr 42 | Switzerland ... SFr 2.20 |
| Finland ... Fmk 6.00 | Malaysia ... Rin 4.25 | Taiwan ... NT $65 |
| France ... FFr 6.00 | Mexico ... Pes. 300 | Tunisia ... Din 0.600 |
| Germany ... DM 2.20 | Morocco ... Dh 6.00 | Turkey ... L 210 |
| Greece ... Dr 70 | Netherlands ... Fl 2.50 | U.A.E. ... Dh 6.50 |
| Hong Kong ... HK$ 12 | Norway ... Nkr. 6.00 | U.S.A. ... $1.00 |
| India ... Rup. 15 | Philippines ... Pes. 20 | |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,730 Wednesday September 18 1985 D 8523 B


**U.S.: red faces over loans to Pretoria, Page 17**

World news | Business summary

## Expansion costs problem for EEC

**The battle to bring the EEC budget under control has been hit by costs involved with the forthcoming entry of Spain and Portugal and financial commitments to social and regional spending.**

EEC budget ministers were trying to reconcile the ceiling set at Ecu 29.7bn ($22.7bn) by their own colleagues and the European Commission's preliminary draft budget for 1986 of some Ecu 35bn.

They were faced with an early demand by Spain and Portugal that their contributions in their first year of membership should be neutral. Page 2

### Lebanon warning

Prime Minister Rashid Karami warned Lebanon that he might resign if nothing was done to halt the recurrent violence.

### Helicopter shot down

Afghan rebels said they shot down near the Pakistani border a helicopter gunship carrying an Afghan major general and a brigadier and a Soviet officer believed to have been a general.

### Thai arrest

Former Thai Premier Kriangsak Chamanan was arrested on charges of involvement in the recent military coup attempt. Page 4

### MEP jailed

Italian TV presenter Enzo Tortora, who was elected to the European Parliament last year, was sentenced to 10 years jail on charges of collaborating with the Mafia in Naples and dealing in drugs. Page 2

### Rome cafe blast

Italian police charged a Lebanese-born Palestinian with attempted murder after a grenade attack on a fashionable cafe in Rome which injured 38 people.

### Bhopal 'impact'

The proportion of stillbirths and deformed babies in the central Indian city of Bhopal has risen since a poison gas leak last December killed at least 2,500 people, a senior Indian official said.

### Airport strike

France's main airports, Charles de Gaulle and Orly, are expected to be at a standstill today and tomorrow because of a strike by air traffic controllers.

### Portuguese blaze

About 2,000 people were evacuated from their homes and 100 treated for the effects of smoke after a forest fire threatened the village of Amarante in northern Portugal.

### 'Poison' in sweets

Traces of the toxic chemical diethylene glycol, the illegal sweetener used in the Austrian wine scandal, have been found in *Gummibärchen* – jelly bears – a West German children's sweet.

### Spy wins prize

Norwegian spy Arne Treholt jailed for 20 years in Oslo for supplying secrets to Moscow won a literary award for an account of his espionage work.

### Canal study

Japan will sign an agreement with the U.S. and Panama next week under which they will study the feasibility of cutting a second canal through Panama.

### Designer dies

Laura Ashley, the Welsh textile designer, died aged 60 in hospital as e result of injuries received in a fall. Page 11

## Control Data cancels issues

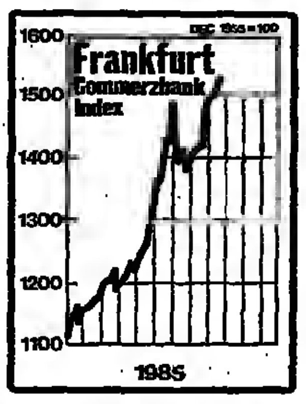
CONTROL DATA, ailing U.S. computer group, cancelled plans to raise $300m through 10-year note and preferred stock offerings. It said that its peripheral equipment business was not improving as it had previously expected.

FRANCE balanced its trade account last month with a small seasonally adjusted surplus of FFr 4m ($456,100) after a FFr 3.8bn deficit in July. The accumulative deficit for the first eight months is now FFr 18.2bn.

WALL STREET: The Dow Jones industrial average closed down 10.98 at 1,298.16. Page 40

LONDON equities lacked sparkle and drifted lower. The FT Ordinary share index ended off 5 at 1,002.7. Gilts were becalmed. Page 40

TOKYO bond and stock prices rose. The Nikkei-Dow market average added 5.81 to 12,591.51. Page 40




FRANKFURT equities advanced to record levels as investors remained bullish about the outlook for corporats. The Commerzbank index reached its fourth peak this month with a 20.6 rise to 1,534.0. Page 40

DOLLAR was up in London to close at DM 2.892 (DM 2.884). It also rose to FFr 8.81 (FFr 8.7875), fell to SwFr 2.38 (SwFr 2.382) and was higher at Y241.65 (Y241.35). On Bank of England figures, the exchange rate index fell to 140.0 from 140.8. Page 33

STERLING fell 35 points against the dollar in London to close at $1.3395. It also fell to SwFr 3.1875 (SwFr 3.20) and Y323.75 (Y324.0). It was unchanged at FFr 11.80, but rose to DM 3.8750 (DM 3.8725). The pound's exchange rates index rose to 81.1 from 80.8. Page 33

GOLD fell $2 in the London bullion market to close at $316.0. It also fell in Zurich to $317.45 ($319.55). Page 32

POLAND faces problems in servicing its debts on schedule because its hard-currency surplus has failed to meet targets. Page 3.

BRITAIN'S Labour opposition would put an extra £5bn ($6.5bn) into public sector capital projects if it won office, said deputy leader Roy Hattersley.

JAPANESE banking groups Fuji and Mitsubishi have been granted licences to open agencies in Houston, Texas; Sanwa Bank will open an agency in Dallas. Page 19

HUGHES COMMUNICATIONS of the U.S. is planning to file an $84m claim with its insurees against the costs of a communications satellite which has gone dead in space only three weeks after its launch. Page 5

CONSOLIDATED Gold Fields of the UK lifted profits 9 per cent to £114.9m ($153m), with higher earnings from construction materials offsetting a fall in South African gold mining income. Lex, Page 18; Details, Page 24

ATLANTIC RICHFIELD, U.S. oil group in the throes of reorganisation, is set to complete its withdrawal from the metals industry with the sale of its Columbia Falls, Montana, aluminium smelter to a group of private investors.

MACY'S, U.S. retail group, suffered its first fall in profits since 1975 last year with a 15 per cent slide to $189m in net income.

# Secretary in Kohl's office defects to East Germany

A SENIOR secretary suspected of spying in the office of Herr Helmut Kohl, the West German Chancellor, has defected to East Germany, writes Peter Bruce in Bonn. The West German federal prosecutor's office also confirmed yesterday that the woman's husband, who worked as a security analyst for an important political think tank in Bonn, had defected as well.

**The British Government was steeling itself for further reprisals by Moscow after London's decision on Monday to expel six more Soviet citizens. London was expecting the Soviet Union to continue to act on a head-for-head basis and send home another six Britons. Moscow on Saturday decided to deport 25 Britons in the wake of the UK move to expel 25 Soviet diplomats, journalists and businessmen who it alleged were spies. Mrs Margaret Thatcher, the Prime Minister, and the British Foreign Office rejected criticism that the UK had been ill-advised to expel so many Russians in the wake of revelations by Mr Oleg Gordievsky, who defected while KGB chief in Britain. Page 18**

The defection of Frau Herta-Astrid Willner, 45, and her husband, Herbert, 59, brings the total number of disappearances in the spy scandal currently troubling the Bonn Government to at least six. It is also the first time the scandal has reached into the office of the Chancellor.

The Chancellery confirmed that it had received a note from Frau Willner yesterday morning saying she had defected. She had worked in the Chancellery since 1973. Her last post had been as chief secretary to the leader of the department is responsible for internal affairs, including domestic security policy, and planning.

A second note, from her husband, said he had defected because he feared arrest for activities which would "endanger the external security of the Federal Republic of Germany."

The West German authorities said the couple, who went on holiday to Spain on August 12, were last seen ebout 10 days ago in the tiny principality of Andorra, between Spain and France, where they spent a night at a hotel. But a neighbour said yesterday thet she had seen Herr Willens on Saturday leaving his home near Bonn with two suitcases.

Federal prosecutors confirmed that the couple had been under suspicion and were being investigated by Herr Hans Joachim Tiedge, the top West German counter-intelligence executive who fled to East Germany on August 19. The fact thet the couple have fled when under observation will add to the Government's embarrassment.

Herr Tiedge suffered from apparently well-known drink and debt problems, and the fact that he was not fired led to intensive opposition efforts to unseat the Interior Minister, Herr Friedrich Zimmermann. The opposition Social Democrats (SPD) renewed their call for the minister's resignation yesterday after news of the latest defection was released.

Herr Zimmermann yesterday denied reports that he had turned down a request by West German counter-intelligence in July that Frau Willner be placed under 24-hour observation. The Interior Ministry said it had told the chancellery of suspicions against Herr Willner on August 28. The Chancellor had then asked Herr Zimmermann to keep an eye on the secretary. By that time, however, sha was out of the country.

Herr Willner worked as consultant at the Friedrich Naumann Foundation in Bonn. The foundation is close to the Free Democrat Party (FDP), a junior member of

Continued on Page 18

# New claim of Hernu link to Greenpeace sabotage

By Paul Betts in Paris

THE FRENCH Government was deeply embarrassed yesterday by fresh allegations about French secret service involvement in the Rainbow Warrior affair and suggestions thet M Charles Hernu, the Defence Minister, approved the operation which led to the blowing np of the Greenpeace flagship in July.

The latest allegations, made by both Le Monde, the Paris newspaper, and Le Canard Enchâine, the satirical weekly, claim that a third secret service commando squad, which has not previously been identified, was responsible for the sinking.

Le Monde yesterday suggested that M Hernu, Gen Jeannou Lacaze, the former armed forces chief of staff and Gen Jean Saulnier, who recently replaced him, knew of a secret service operation to sabotage Greenpeace's campaign against French nuclear tests in the Pacific.

The disclosures, immediately dubbed as "a French Watergate," are also extremely embarrassing for President François Mitterrand, who claimed on Sunday that the identity of the authors of the "absurd and criminal act" against the Rainbow Warrior, remained a mystery to him.

Le Monde claimed that the ship had been blow up by two French army frogmen who subsequently managed to leave New Zealand unnoticed.

They were backed up by the two other teams of foreign intelligence service (DGSE) agents which have already either been arrested or identified by the New Zealand authorities.

Two French agents – a man and a woman – are due to go on trial in New Zealand in November. Three other agents allegedly escaped to New Caledonia on a yacht.

All the agents involved in the operation appear to have come from the Centre d'Instruction des Nageurs de Combat based in Corsica, where DGSE frogmen are trained, according to the newspaper reports.

The latest allegations, if confirmed, would contradict the version of events given by the French military to M Bernard Tricot, the former senior official under General de Gaulle who conducted an official investigation at the request of M Laurent Fabius, the Prime Minister.

His ambiguous report never mentioned a third squad of French agents and said the army had claimed that it had only taken part in an observation and surveillance mission.

Continued on Page 18

# Bankers warned of mounting risks in innovative ventures

BY DAVID LASCELLES AND PETER MONTAGNON IN LONDON

THE BANK of England raised a warning flag for British banks yesterday about the mounting risks in their business, which is marked by rapid change and innovative financing techniques.

The Governor, Mr Robin Leigh-Pemberton, and his deputy, Mr Christopher McMahon, expressed their concerns about the losses banks could face by being too inventive, or by moving into unfamiliar business fields to meet new competition.

Their twin pronouncements – delivered separately but similar in tone – reflect the worries of central bankers about developments both in international banking and in British financial markets.

The Governor's warning came in a letter to UK banks advising them not to become over exposed to the risk of losses through innovative transactions which are not fully recorded on their balance sheets.

The letter, sent to the British Banker's Association, is part of an internationally co-ordinated series of warnings to banks around the world following a meeting of top central bankers at the Bank for International Settlements in Switzerland last week.

At the meeting the central bank chiefs of the world's richest industrial countries agreed that banks should be reminded of the dangers inherent in the rapid growth of off-balance sheet business through such fashionable transactions as the underwriting of short-term note issuance facilities in the Euromarkets.

Supervisors are worried that banks are building up liabilities in this way without any capital backing.

"Mr Leigh-Pemberton said: "Managements of banks undertaking such business should ensure they possess the necessary skills and understanding to manage the often complex operations involved, to assess the risks and to establish appropriate internal control and reporting arrangements."

Mr McMahon's warnings came in a major speech to the management meeting in Switzerland in which he gave the most wide-ranging view of modern banking risks yet delivered by a bank official.

He said banks were having to adopt novel strategies to meet new competitors and follow the growing trend towards finance through securities rather than bank loans. But he believed banks would encounter problems and possible losses as they embarked on diversification, or entered new markets, often encouraged by deregulation.

He said: "In the rush to take advantage of the new freedoms are all those involved... taking sufficient care over the direction in which they are heading?"

He added his warning to that of the governor's about off-balance sheet risks, but added that the concern of bank supervisors "does not relieve banks of the need to establish their own proper systems of control."

Mr McMahon reserved specially pointed criticism for the high salaries being offered in the City of London by new Bank-led securities groupings keen to attract top-quality staff. This had not only led to escalating costs but was also undermining staffing stability at banks.

"If key staff – and even on occasion whole teams – can be offered inducements to move suddenly from one institution to another, it becomes very difficult for any bank to rely on the commitment individuals will give to implementing its plans, and adds a further dimension of risk to any bank which is building its strategy largely around a few individuals' skills.

"This is also, I might add, potentially of concern to us as supervisors and regulators."

Mr McMahon said he did not wish to sound pessimistic about the future, but he advised bankers to adopt well thought out strategies to make the most of the new opportunities around them.

The Governor's letter emphasised the consensus reached by the main central banks over the need for national authorities to supervise the banking system.

But he falls short of suggesting that the main central banks are now ready to impose capital requirements on an internationally co-ordinated basis.

# Dutch budget to slow pace of spending cuts

BY LAURA RAUN IN THE HAGUE

THE DUTCH Government plans to relax its austerity policies next year with a budget moderating public spending cuts and allowing personal incomes to rise. It is a budget with an eye on next May's general elections.

The centre-right Government's budget presented yesterday nevertheless proposed to trim the deficit by 0.2 percentage points to 7.8 per cent of net national income (NNI). Tha deficit would be reduced through Fl 8bn ($2.46bn) of savings in welfare benefits, ministry budgets and public employees' pay.

Politically significant, however, are the fractional cuts in social security contributions which, coupled with falling inflation, would allow disposable incomes to grow as much as 2.5 per cent, the biggest jump in seven years.

The Christian Democrat-Liberal coalition is keen to convince voters that the sacrifices made during the past three years of painful retrenchment policies have been worthwhile. No income tax cut, however, was possible.

For the business community, the corporation tax will be shaved to 42 per cent from 43 per cent following a cut from 48 per cent last year. The corporate tax relief will more than offset the Fl 50m loss of an investment-subsidy scheme (WIR).

The national budget was presented to parliament amid the annual "Prinsjesdag" festivities which featured Queen Beatrix riding in a golden carriage to the Binnenhof (parliament), where she delivered the state of the nation address. The parliament generally makes few significant changes to the budget, which takes effect on January 1 1986.

**MAIN POINTS**

- **Reduction of budget deficit to 7.8 per cent of net national income from 8 per cent in 1985.**
- **Spending cuts of Fl 8bn ($2.46bn), comprising Fl 3.2bn in ministry budgets, Fl 2bn in civil servants' pay, Fl 1.8bn in welfare benefits, Fl 1bn in health care.**
- **Freezing or cutting welfare premiums, for savings of Fl 3bn.**
- **Lowering corporate tax from 43 per cent to 42 per cent.**
- **Abolition of WIR investment subsidy scheme.**

Overall spending in 1986 would amount to Fl 169.4bn after savings of Fl 3.2bn in ministry budgets, Fl 2bn in civil servants' wages, Fl 1.8bn in social benefits and Fl 1bn in health care. The Fl 8bn in spending cuts is slightly less than the reductions made this year and several billions of guilders smaller than those made in the past two years.

Government receipts will grow to Fl 142.9bn despite a modest drop in natural gas revenue (which accounts for a sixth of total income), leaving a budget gap of Fl 26.5bn. Gas income is forecast to plunge 28 per cent in 1987.

Tha Christian Democrat-Liberal coalition entered office in November 1982 on a three-pronged platform of diminishing The Netherlands' bloated public sector, unleashing the shackled private

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# IBM and Nixdorf win major Bundespost computer orders

BY JOHN DAVIES IN FRANKFURT

IBM, the U.S. computer giant, and Nixdorf, the fast-growing Paderborn-based company, have emerged as victors in a struggle for orders to supply data processing equipment for use in West German post offices.

The U.S. group's success in winning a major share in a DM 400m ($140m) project has come as a blow to its European rivals, including Siemens, the Munich-based computer company.

IBM's selection, disclosed recently, also stirred up a cloud of recriminations against the Bundespost, West Germany's postal and telecommunications authority, and Herr Christian Schwarz-Schilling, the minister in charge.

Critics have claimed that the decision undermines European-backed efforts to establish the so-called OSI norm as a common standard for connecting computers of different makes, but both IBM and the Bundespost have vehemently denied this.

IBM is to supply about 400 of its 8100-series computers over four years from the beginning of next year. They will be installed at Bundespost headquarters buildings and larger post offices for use in handling internal administrative data.

Although IBM and the Bundespost decline to put a figure on the contract, it is understood to be worth about DM 100m. The computers will be assembled at IBM's plant at Havant, in southern England.

In a related deal, disclosed subsequently, Nixdorf beat its rivals to an order for up to 4,000 terminals and software for use by workers at post office counters from 1987.

These are the first of 20,000 terminals which the Bundespost plans to install by the end of the decade at a total cost of more than DM 300m. Contracts for the remaining 16,000 terminals will also be put out to international competition, but Nixdorf has been given a head start by winning the first order.

The terminals, with print-out devices, will be used to process and record various counter services, including customers' payments for deposit in post office savings accounts and for money transfers.

For cost reasons, the Bundespost says, terminals will be off-line at first, but provision will be made for them to be linked to mainframe computers in the post office network.

When IBM's success became known, the Bundespost was accused of turning its back on efforts to establish Open Systems Interconnection (OSI) as a standard for connecting different types of computer. OSI, backed in particular by a number of European and U.S. computer manufacturers, has been seen as a response to the dominant position of IBM's Systems Network Architecture (SNA), although IBM has also expressed support for OSI.

Both IBM and the Bundespost pointed out that OSI was still not finalised. Provision, however, would be made to allow its use, they said. The Bundespost said that it was specifically laid down in contracts with IBM and Nixdorf that the gateway question would remain open.

The Bundespost declined to reveal the list of competitors for the

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CONTENTS

# EEC enlargement casts shadow over budget meeting

BY QUENTIN PEEL IN BRUSSELS

*THE BATTLE to* bring the EEC budget under control, by setting a strict ceiling on spending, was overshadowed last night by the looming costs of the Community enlargement, to take *in Spain and Portugal*, and the need to finance past commitments to social and regional spending.

EEC budget ministers were set to meet into the early hours of this morning, as they tried to reconcile the ceiling set at some Ecu 33.7bn (£17bn) set by their own finance colleagues, and the European Commission's preliminary draft budget for 1986 of about Ecu 35bn (£20.1bn).

They were faced with an early demand by Spain and Portugal that their contributions in their first year of membership should be neutral. Calculations by EEC officials suggest they may have to make a net contribution to the budget of some Ecu 200m on the present figures—before the budget ministers make any further spending cuts.

The ministers also have to trim the budget to leave the European Parliament room to make its own amendments, without, if possible, exceeding the minister's spending ceiling.

For the first year in recent memory, the EEC budget debate is not dominated by disputes over the amount to be allocated for spending on the Common Agricultural Policy or the rebate payable to the UK.

The former farm spending figure is proposed by the Commission at some Ecu 20.4bn, compared with the finance ministers' ceiling of Ecu 20.6bn, an increase of only 2.4 per cent on this year's spending. The UK rebate, or rather the amount by which the UK contribution will be reduced, is put at Ecu 1.4bn.

While there was general agreement last night that the spending ceiling would have to be raised to some extent to make allowance for the extra costs of EEC enlargement, the main battle look likely to be fought on the amounts devoted to the EEC regional and social funds.

The Commission has put forward proposals for a very sharp spending increase, of some 50 per cent, in order to catch up with commitments made in former years. The real spending increase is much lower.

# U.S. visit by Soviet minister

By Patrick Cockburn in Moscow

THE Soviet Foreign Minister, Mr Eduard Shevardnadze, left Moscow yesterday for the UN General Assembly. He is also scheduled to see President Ronald Reagan on September 27 and to meet Mr George Shultz, the U.S. Secretary of State.

As he departed, the Soviet Communist party daily newspaper Pravda accused the U.S. "of poisoning the atmosphere" before the summit between Mr Reagan and Mr Mikhail Gorbachev, the Soviet leader, in November.

The article reiterated the Soviet position that "the translation of the Strategic Defence Initiative (SDI) into life by Washington will inevitably torpedo the Soviet-American accords on strategic arms limitation, above all the anti-ballistic missile treaty of 1972."

Last month, Mr Gorbachev said there could be no agreement on nuclear weapons unless there was an agreement on SDI.

Pravda, taking a bleak view of relations with Washington, said that the anti-satellite test by the U.S. on September 13 was an attempt "by certain American circles" to damage the summit.

# Controversy over banks' bid for Irish forests

BY OUR DUBLIN CORRESPONDENT

NEARLY a million acres of Irish state-owned forests have become the focus of controversy following a suggestion that all or part of them should be sold to financial institutions.

A representative on the Irish Congress of Trade Unions has resigned from a Government review group on forestry after senior government ministers indicated they would be willing to sell off some of the forests which are valued at I£1.3bn ($1.4bn).

The row is also likely to cause divisions in the coalition Government, with the junior partner, Labour, opposed to privatisation

Most of the forest of spruce and pine was planted up to 40 years ago on mountain and bog land and will soon be ready for exploitation. The trade union representative, Mr Peter Cassells, said that if the banks and pension funds were interested in forestry they should use their funds for planting rather than the non-risk area of purchase of mature forests.

The row began when Mr Lorcan Blake, the Agricultural adviser to Allied Irish Bank suggested that the banks and pension funds would be willing to pay I£1.3bn on a phased basis for the forests – which would give the Government a source of revenue and capital to invest in further afforestation.

# Brussels to seek rights clause

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN COMMISSION yesterday gave notice that it will press for new clauses guaranteeing consumers' rights to be included in any changes to the Treaty of Rome, the founding document of the EEC.

Consumer protection provisions will now be added to the long list of measures under discussion by the new intergovernmental conference on expanding the Community's activities and speeding decision-making. But they may face opposition from some member states which would prefer to keep consumer affairs out of the Treaty.

Outlining a new initiative yesterday, Mr Stanley Clinton Davis, the commissioner responsible for consumer protection, described the EEC's record in the area over the past 10 years as "lamentable". This was blamed on the tendency of some national governments to ignore consumers' problems at a time of recession.

But periods of economic stringency meant consumers needed more, not less protection, Mr Clinton Davis claimed. "Safeguarding the interests of consumers is intimately related to the success of industry," he said. "Wa need to be more vigilant, not less."

The Commissioner went on to sketch four main areas where officials will now be seeking to speed progress. These will include:

- Better protection for travellers, incorporating Community-wide rights of redress against tour operators, the possible creation of inexpensive small claims courts and stricter coach and air safety rules.
- Greater efforts to ensure product safety, specifically aimed at protecting children from toxic goods.
- The incorporation of guaranteed consumer rights for the Community's 320m citizens through treaty changes.
- A more strenuous enforcement of the right to buy goods and services throughout the EEC, with greater use of court actions against recalcitrant companies.

# Opposition derides Mitterrand record on foreign policy

BY DAVID HOUSEGO IN STRASBOURG

FRANCE'S right-wing opposition sought to demolish President Francois Mitterrand's claims to have established consensus on foreign policy. M Jean Francois-Poncet, the former foreign minister and the opposition's main spokesman on international issues, said the consensus covered the "lowest common denominator" in foreign policy.

M Francois-Poncet: "Policies leading nowhere"

He accused the administration of launching initiatives that led nowhere, of failures in Africa and the Middle East, and of failing to devise policies that addressed the problems facing France.

M Francois-Poncet, who was Foreign Minister under former President Valery Giscard d'Estaing, was particularly hard on the Government's European record and on its handling of France's relationship with West Germany.

He said President Mitterrand had accepted an EEC budgetary settlement that had transformed France from a net beneficiary of the EEC budget to the tune of Ecu 400m-Ecu 500m four years ago to a net contributor of close to Ecu 1bn a year. France was now in a situation that Mrs Margaret Thatcher, the British Prime Minister, would have described as "unacceptable."

Although relations with West Germany were perfectly cordial, they had been "emptied of substance," he said. Describing Franco-German industrial co-operation as practically dead, he pointed out that West Germany, which had traditionally swayed between the U.S. and France, had chosen to side with Britain over the new European fighter aircraft.

M Francois-Poncet's attack comes at a time when President Mitterrand has been increasingly using foreign policy issues, such as the French position in the south Pacific, to consolidate his position domestically. In particular, he has made clear that he intends to maintain a grip on foreign policy even if the opposition wins next March's parliamentary elections.

Up to now the opposition has been reluctant to attack President Mitterrand on foreign policy issues for fear of undermining France's position abroad. A further factor that has until now muted the opposition's criticism is that the U.S. has approved the broad lines of French foreign policy under M Mitterrand.

# Arms talks resume on note of pessimism

U.S. and Soviet negotiators resume arms control talks this week in a run-up to the super-power summit in November, but the chief negotiators held out little hope on arrival of a quick breakthrough, Reuter reports from Geneva.

The U.S. chief negotiator, Mr Max Kampelman, said Moscow should turn recent public gestures into formal positions in the third round, which opens tomorrow.

"We now await with interest to see if these forays in the headlines will be followed, as we hope they will, by concrete proposals here at Geneva," he said.

Soviet officials have said recently that Moscow would consider deep cuts in long and medium-range missiles if Washington would scrap research on a Star Wars space-based missile defence system.

Mr Victor Karpov, the Soviet chief negotiator, said the U.S. Strategic Defence Initiative, or Star Wars, plan remained the main stumbling block to progress in all areas of arms control.

"Unfortunately, the U.S. positon, above all on the key issue of non-militarisation of space has so far made it impossible to accomplish the task before the negotiations," he said.

The negotiators noted in their prepared statements the importance attached to this round, which is expected to end shortly before the November 19-20 summit between Mr Mikhail Gorbachev, the Soviet leader, and President Reagan.

# Turkey calls for revision of agreement with U.S.

BY DAVID BARCHARD IN ANKARA

TURKEY is seeking a revision of its 1979 defence and economic agreement with the United States which expires at the end of the year.

The U.S. ambassador to Ankara was summoned to the Turkish Foreign Ministry yesterday and handed a note which means talks will have to be completed within three months.

Embassy officials said the move was "not unexpected." Turkey is a key Nato ally of the U.S. and the third largest recipient of U.S. aid, after Israel and Egypt. More than 5,000 U.S. military personnel are stationed in Turkey and their work ranges from intelligence gathering and electronic eavesdropping on the Soviet Union to air bases which play an important part in Nato's East Mediterranean defences.

Turkey's sense of grievance centres on three points. First, it feels that the present volume of aid (just below $1bn annually) is below its requirements. Second, it wants to end the 7-10 ratio between U.S. military aid to Greece and aid to Turkey. Third, Turks resent attempts in the U.S. Congress to tie aid to other issues, such as the Cyprus dispute.

The Government's main demand is likely to be that annual aid levels over the next five years should be fixed in advance, a request which the U.S. Administration may not be able to grant. Turkey also wants more economic aid.

# Italian MEP sentenced to jail for dealing in drugs

BY ALAN FRIEDMAN IN MILAN

SIG ENZO TORTORA, the well-known Italian television presenter elected to the European Parliament last year, was last night sentenced to 10 years in jail on charges of having collaborated with Naples criminals and having dealt in drugs.

The conviction of Sig Tortora, who has spent the past year campaigning for judicial reform in Italy and proclaiming his innocence, comes after a controversial trial of more than seven months.

Once one of Italy's most celebrated chat show hosts, he was on trial in Naples along with 638 other alleged members and associates of the Camorra, the Neapolitan version of the Sicilian Mafia. Those on trial were arrested in a vast round-up in June 1983.

Since the European election of June 1984, Sig Tortora has represented Italy's left-wing Radical Party at Strasbourg. Once elected he was freed from house arrest. If he retains his parliamentary immunity, he will escape going to prison. Meanwhile, he is expected to file an appeal.

There has been much criticism of theway the Camorra trial in Naples has been conducted, with 639 suspects in the dock for a range of offences connected with the organisation's two main activities—the trafficking of drugs and the extortion of protection money from businesses. Yesterday, the court passed judgment on 241 of those on trial.

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**Diana Smith** reports on the contenders in Portugal's general election next month

# Lisbon's old coalition parties jostle for power

PORTUGAL'S ELECTION campaign is taking its first tentative steps, aided as much by a burst of thunderstorms last week — which drove people off the beaches—as by the familiar thundering of politicians.

But from now on, blaring loudspeaker vans will tour day and night, and there will be television and radio broadcasts, rallies and wall-to-wall campaign posters. Only hermits or the stone deaf could miss the messages being hurled at 7m voters by 12 parties, of which five stand a sporting chance of winning more than 10 per cent of the vote on October 6.

One of the five, the Social Democrats (PSD), precipitated this unwanted election when its new leader, Sr Anibal Cavaco Silva, broke up the two-year-old ruling centre-left coalition with the Socalists on June 13.

Sr Cavaco Silva rejected efforts by the outgoing head of state, Gen Antonio Ramalho Eanes, to patch together a compromise that could avoid legislative elections until after the presidential election scheduled for January.

Gen Eanes, and Sr Mario Soares, leader of the Socialists (the main coalition party) did not want another costly, erosive snap election. They regarded it as unlikely to produce an absolute majority for any party and apt to be followed in less than a year by another snap election called by a presidential victor anxious for a strong parliamentary base.

The PSD rejected compromise. Its new image, after four years of internal squabbles that undermined three successive governments, has been revamped. It is now one of exuberant unity under a disciplinarian leader determined to goad tha electorate into rejecting the Socialists and making the PSD—now on a rightward shift—Portugal's top party.

Many members of the middle and upper middle classes, who have been restless sinca Portugal's right-wing democracy was overthrown in 1974, are delighted with the newly-pugnacious PSD and its leader.

Behind Sr Cavaco Silva's stern authority they see ghosts of a paternalistic past when life was more orderly and a repressive government ensured that the populace behaved itself.

The PSD seems to be catering to an audience which blames all Portugal's difficulties on the rise of the left and which ignores the damage done by colonialism and colonial wars, monopolistic economic practices, isolationism and agricultural and industrial backwardness.

The party, which is noted for its standing repudiation of the hardline Portuguese Communist Party (PCP), is fighting to identify the Socialists with the Communists.

The Christian Democrats, led by Sr Lucas Pires, are trying the same tactics. Both parties apparently believe that the only way to modernise Portugal is to discredit and alienate the democratic left, reducing the Socailsts' electoral weight.

The tactic discounts the natural inclination of many Portuguese voters. In 1983, the Socialists took 36.3 per cent of the vote, compared with the PSD's 27 per cent, despite the fact that they promised ferocious austerity to correct pernicious effects of public and private overspending and dangerous foreign indebtedness bred by the PSD-Christian Democrat 1980-82 coalition.

Pragmatically, the Socialists formed a coalition with the PSD, and Sr Soares spent the next two years shoring up the Government while the PSD, under three changes of leadership, sapped itself from within.

The Socialists are now promoting Sr Antonio de Almeida Santos, a lawyer and experienced Parliamentarian, as prospective Socialist premier, while Sr Mario Soares grooms himself for the presidential campaign later in the year.

They are pushing an image of a party that dared to impose unpopular measures and which is now ready to review an over-socialising constitution so that Portugal can cope more flexibly with her forthcoming European membership.

Urgent need for constitutional reform, removing the left-wing ideology imposed in the revolutionary period of 1975-76 and only mildly attenuated in the 1982 review, has been proclaimed by all parties right of the PCP or its sympathisers.

The constitution is a heavily-socialist document which has been blamed for stagnation of finances and industry. The Socialists have shrewdly joined the chorus clamouring for depoliticising and modernising of the nation's constitution. Their support for this reform takes some bite out of the PSD and Christian Democrat arguments.

Nevertheless, the Socialists dragged their feet over possible reforms of labour laws, the public sector and the bureaucracy without constitutional change. Sr Cavaco Silva has routinely hammered them for such timidity; and the criticisms stick.

In the 1983 elections the Communists took 18.2 per cent of the 1983 vote: a high percentage not entirely surprising in a country whose labour forca lives with underemployment, abysmal wages, inefficient welfare and health services, and about \$60m (£46m) of unpaid wages or benefits at any given time.

While they and the other main parties jostle for positions among traditional voters and hunt for converts, a new arrival could steal part of the centre-left vote.

The Partido Renovador Democratico (PRD) is a grassroots party clustered around the dignified image of Gen Eanes, who sponsors it in spirit but still being Head of State, cannot actively pursue its goals.

How much it wrests from the Socialists or the social democrat fringe of the PSD is still unclear. But its leader, Sr Herminio Martinho, a farmer, is counting heavily on the "disenchantment factor" to woo up to 12 per cent of voters.

Voters are more perceptive of real issues than local politicians presume and seem particularly disgruntled by this election. Turnout dropped from 96 per cent in 1975 to 78 per cent in 1983.

It could decline again unless, by October 6, the electorate is convinced it is not being asked again to referee a petty squabble among an elitist political class rather than express itself on a national need.

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PORTUGAL'S ANTIQUATED road system benefited this week from an Ecu 20m (£11.5m) contribution from the European Investment Bank (EIB) towards 38km of motorway north of the university town of Coimbra, writes Diana Smith.

Tho 20-year loan to Brisa, the Portuguese road-builders, will make it possible to complete the motorway between Coimbra and Oporto, speeding up transport of goods and passengers in the north where most of Portugal's most productivo private industry is located.

The 38 km stretch of motorway will also link Oporto to the 200 km highway financed by European Community grants and EIB loans now under construction between the northern port of Aveiro and the Spanish frontier.

This highway, to be opened next year, will permit businesses in the north to transport goods for the first time on a proper highway to and from Spain, without the costly delays caused by badly surfaced winding mountain roads.

This week's EIB contract basically winds up the bank's five-year Ecu 725m (£413m) programme of financing before Portugal's cntry to the EEC next year.

Portugal is the EEC's neediest candidate, requiring heavy support for modernisation of its schools and hospitals, basic sanitation, ports and cargo handling and other infrastructures.

It joins the Community next January with a gross domestic product only half that of Spain and a fifth that of Denmark.

# Greece uncovers suspected urban guerrilla network

BY ANDRIANA IERODIACONOU IN ATHENS

HAS URBAN guerrilla warfare Italian-style caught up with Greece? A bemused public is pondering the question this week, following government revelations of the suspected existence of an intricate network of terrorist groups which could have been responsible for bombings and politically motivated assassinations in Athens over the past 10 years.

According to Mr Thanassis Tsouras, the Deputy Minister of the Interior and Public Order, the authorities believe they have struck the "first major blow against organised terrorism," with the arrest last week of three men after two bomb explosions which damaged property but not people in an Athens neighbourhood.

The arrests immediately become front-page news as it was revealed that one of the three men, Mr Danos Krystallis, had been employed as a journalist for ERT-2, Greece's second state television channel, and as police hinted that the case could prove a breakthrough in terrorism investigation.

The plot thickened further when a stunned Greece Press was informed on Monday that the man had also been an informer on terrorist activity for the Greek police and intelligence services since 1978. According to the authorities, Mr Krystallis began to be suspected of direct involvement in terrorism during his period as an informer, and was kept under surveillance until he could be arrested.

Mr Krystallis has been charged with being involved in a string of bombings in 1984 and with planning the assassination of a prominent right-wing newspaper publisher in March 1983. The publisher was one of the series of victims of terrorist groups in Greece, starting with the shooting in 1975 of the CIA chief in Athens, Mr Richard Welch, by the shadowy "November 17" organisation.

That organisation has since claimed responsibility for seven more shootings, including that of a U.S. navy captain, George Psantes, in November 1983.

According to the authorities, evidence found in Mr Krystallis's home includes correspoodence addressed to "November 17" and typescripts of manifestos claiming responsibility for planned assassinations of newspaper publishers, senior police officials and magistrates.

Mr Tsouras said it is believed that a "consortium" of terrorist groups and sub-groups, with different names and goals, is operating in Greece.

# Opposition cool to Palme's overtures

By Kevin Done, Nordic Correspondent, in Stockholm

SWEDEN'S centre-right opposition, defeated narrowly in Sunday's general election, have reacted cautiously to overtures from Mr Olof Palme, the Social Democratic Prime Minister, who appears to be seeking a broader basis for co-operation in parliament.

The Social Democrats have lost their majority over the three non-Socialist parties—the Conservatives, Liberals and Centre party—and are now dependent on the Communists for a majority.

This is expected to create problems on the economic front, where the Communists want more expansive policies and the Government wants to cut the budget deficit.

Many observers expect the Government will be forced to tighten the economic reins in order to dampen private consumption and slow the increase in imports.

Mr Bengt Westerberg, leader of the Liberals whose party gained 30 seats in the election, said it would be preferable for the Social Democrats to lean towards the opposition rather than to the Communists for support. He was sceptical, however, about the Government's willingness to follow the opposition line in holding back tax increases and seeking expenditure cuts.

Mr Thorbjorn Faelldin, leader of the Centre party and a former Prime Minister, has already firmly rejected Mr Palme's overtures. "We saw what Palme's promises were worth when he pushed through the wage-earner funds," he said.

The trade union-cootrolled funds, which syphon off corporate profits for investment in Swedish equities, proved the most bitterly divisive issue during the Social Democrats' past three years in power.

The opposition parties defeated in the election could take some consolation from gains in the parallel local government elections. They took power in several counties and towns, including Malmo, Sweden's third largest city which had been ruled by the Social Democrats for 66 years without a break.

# Debt problems loom for Poland as foreign earnings lag

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S hard currency surplus, which is running at \$613m after eight months this year, has failed to meet targets, according to figures published here. This will bring difficulties in meeting debt service payment schedules.

Officials admit that Poland has fallen behind with payments on some \$400m of debt due to Western governments by the end of last month, but they are looking to higher than expected invisible earnings this year to cover debt payment needs of some \$2bn.

The eight-month surplus compares with a healthier \$995m surplus earned between January and August last year when hard currency export earnings were some 10 per cent above this year's level.

The cash squeeze has hit hard currency imports, which are rising by no more than 3 per cent in value compared to the 7 per cent target increase for the year.

Imports could be further cut this year, affecting industrial output in the first months of next year, as the Government seeks to make up the gap caused by the expected \$300m shortfall on the year-end target of \$6.4bn in hard currency export earoings.

Lower than expected imports have already affected industrial production which has grown by 2.2 per cent after eight months, or slightly over half the planned target for the year.

● Poland's government spokesman has confirmed that the U.S.-based Rockefeller Foundation has proposed a scheme for channelling Western capital into Polish food production.

A foundation directed by representatives from Poland, North America and Western Europe would raise capital and invest in five specific areas: ham; fruit juice; frozen vegetables; broilers and peat, with the aim of boosting exports.

Under the scheme, which the spokesman said had "just been handed over for consideration," some \$65m would be invested, for example, in boosting ham output.

# Spain dreams of magic kingdom on the Med

BY TOM BURNS IN MADRID

MICKEY MOUSE mania struck Spain yesterday as senior executives of Walt Disney productions toured the Mediterranean coast examining possible locations for a "Euro-Disney" leisure centre.

The Walt Disney team, led by vice-president Richard Numis, had flown into Barcelona on Monday after talks in Paris with French officials. France and Spain are rivals in the battle to lure a \$2bn investment for an amusement park modelled on the existing Disney establishments in the U.S. and Japan.

Mr Numis and his fellow executives were reportedly examining four potential Spanish locations, al lof them on the Mediterranean

The prospect of a "magic kingdom" on the Med has fired the imagination of the Spanish administration and prompted grandiose projects to capitalise on the area's well-established tourism industry.

While the main French offer consists of a cloed amusement park on the outskirts of Paris, Madrid officials have plans for a large leisure centre which would include some 20 hotels, four golf courses, holiday homes and what one official described as "the biggest marina in the Mediterranean."

Although no figures have been revealed, it is understood that both France and Spain are more than willing to provide substantial subsidies. While yesterday reconnaissance received considerable publicity, there have been more than a dozen discreet trips to both countries by senior Walt Disney executives since the beginning of the year.

A decision on Mickey's European home had been expected before the end of the summer, but officials stressed yesterday that the proces swas a slow one

# Thatcher softens stance on talks with PLO

BY TONY WALKER AND ROGER MATTHEWS IN CAIRO

MRS MARGARET THATCHER, the British Prime Minister, yesterday suggested a way out of the present deadlock in the Middle East peace process which would include direct talks with recognised but not prominent members of the Palestine Liberation Organisation.

Speaking in Cairo after nearly two hours of talks with President Hosni Mubarak of Egypt, the Prime Minister said it was very important that the first step—a meeting between the U.S. and a joint Jordanian-Palestinian delegation—should be taken "comparatively soon."

President Mubarak, in an interview with British reporters after the meeting, urged flexibility in dealings with the PLO. "How can we exclude the PLO from the peace process?" be asked. "Let us be realistic and be fair. You can never neglect the PLO."

Referring to the haggling over the list of names of Palestinians to be included in the opening dialogue, Mr Mubarak said: "Wa should not make a problem of small issues . . . we would like to push the process forward."

Mrs Thatcher, who is making the first visit by a British Prime Minister to Egypt since 1943, said the main sticking point was over which Palestinians would ba acceptable members of the delegation.

Indicating greater flexibility than the Americans on dealings with the PLO, Mrs Thatcher said: "It is important that those names should not include people extremely prominent in the PLO, but it could include people who have been associated with the PLO, as long as they reject terrorism."

Mrs Thatcher's statement revealed an apparent softening in ber position on official contacts with the PLO. While British officials have bad quite frequent meetings with prominent PLO figures, ministers have been forbidden to do so.

A meeting between U.S. officials and a joint Jordanian-Palestinian delegation has been proposed as a means of opening the way to direct Arab-Israeli talks. Washington has objected to several of the Palestinian names suggested as members of the joint delegation, because of their PLO associations.

The U.S. is known to be concerned that the proposed first stage meeting could involve imilcit recognition of the PLO. Washington has said it will not recognise the PLO until it publictly endorses UN Security Council resolution 242, which would mean acceptance of Israel's right to exist within pre-1967 boundaries.

Mr Mubarak revealed yesterday thet he had sent o message to Mr Shimon Peres, Israel's Prime Minister, on bilateral issues and that there was some progress on the vexed Taba dispute which is proving e barrier to improved Egyptian-Israeli relations.

He would not go into details on the dispute over the tiny speck of land in Sinai, left unresolved after Israel's withdrawal in 1982, but said: "I am optimistic. I bope we can proceed forward on the problem of Tabo so as to put it to an end."

Egypt bas been insisting that the dispute sbould go to erbitration. Mr Peres ia known to favour such a course, but has been unable to persuade bardliners in the Likud faction in his Cabinet to go along with arbitration.

● At least 10,000 people marched on the Egyptian embassy in Khartoum yesterday to protest against Egypt's decision to allow deposed President Jaafar Nimeiri to leave Cairo instead of banding bim over to Sudan for trial, Reuter reports. The demonstrators burned Egyptian flags and called for a break in relations.

### Tony Walker reports on the daunting task facing Egypt's new Prime Minister

# Cairo searches for painless economic reform

THE PRESIDENT of Egypt, in his letter to Dr Ali Lutfi appointing him Prime Minister earlier this month, assigned the new chief minister an almost impossible task. President Hosni Mubarak asked him to carry out economic reform while also bolding down prices and refraining from imposing extra financial burdens on the people.

"It was like walking into a shop and asking for the best quality goods at a low price," said one Egyptian banker. "Dr Lutfi eomes with a mandate to solve economic problems, but not a mandate to pay the price."

The Prime Miniater, according to those who have spoken to him recently, is said to be "very well aware" of the difficulties he faces. His immediate concern is said to be over an acute bard currency shortaga that bas pushed the black market value of the Egyptian pound in recent weeks to $1.60 against the official incentive rate of $1.30.

Some advisers to Dr Lutfis former Finance Minister, are urging a substantial devaluation of the overvalued local currency to bring it into line with open market rate. They are also recommending the licensing of money dealers to draw them closer to the banking system.

Other measures being pressed include a rationalisation of Egypt's tangled exchange rate regime along the lines proposed by a recent International Monetary Fund report which urged the "complete unification" of the commercial and free market rates with unhindered competition among banks determining the exchange rate.

Local bankers complain they are disadvantaged in the financial markets because they are unable to compete with rates offered for scarce dollars by unofficial traders.

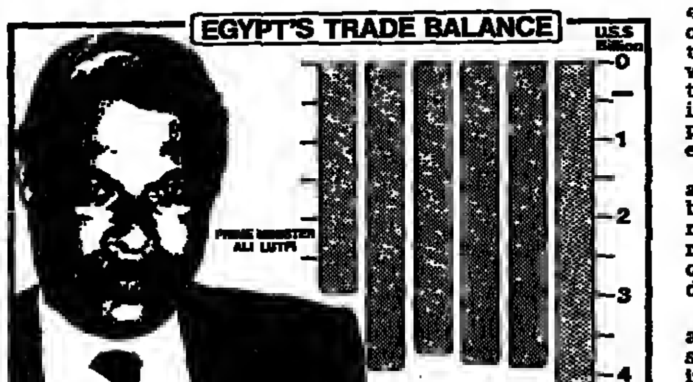
According to the IMF report, one of the options being considered is for a procedure whereby the "average of exchange rates for the Egyptian pound in the local and neighbouring countries' free markets during the previous month would be used as a base for setting the premium rate in the following month."

Foreign bankers report an almost unprecedented demand for foreign exchange, as importers seek to build up stocks in anticipation of a squeeze either later this year or early next year. The Government is drafting new import rationalisation procedures covering four categories: prohibited commodities and those subject to prohibitive, protective and minimal import duties.

"The only short-term solution (to the hard currency shortage) is to cut back on imports," said one foreign banker. "They've got to take some very unpalatable decisions. They've got to bite the bullet on imports and subsidies."

Reform of Egypt's creaking price and subsidy system is Dr Lutfi's biggest political and economic headache. There is widespread grumbling over price increases of non-subsidised items in the markets.

Failure to control prices and the concern it was causing President Mubarak and his advisers is thought to have been one of the reasons for the




sudden, unexplained resignation of the former Prime Minister, Gen Kamal Hassan Ali.

Alarm among bia colleagues about possible political costs of price increases is a burden Dr Lutfi could do without. The IMF criticised measures now being adopted to hring prices of goods and services more into line with costs as "too gradual to redress distortions quickly enough to overtake deterioration in the bndgat and balance of payments without other substantial measures."

". . . Given the size and pervasiveness of explicit and implicit consumer subsidies, a pragmatic approach needs to be followed to alleviate their bndgetary burden and reduce their distorting impact on production and saving, including better targeting of subsidies and limiting them to a few essentials," the report said.

Dr Lutfi's views, published in the latest edition of Al Mussawar, a semi-official weekly news magazine, reveal a commitment, in theory at least, to "surgery rather than sedatives" to cope with his country's economic malaise, which includes an alarming slide in Egypt'a balance of payments and an increasingly burdensome external debt.

Dr Lutfi advocates, among other things, comprehensive reform of the wages and pricing system, incinding a possible phasing out of commodity subsidies over a five-year period and their replacement by a system of direct finaneial support to low income families.

His other priorities, according to the Al Mussawar article, are to improve tax collection procedures, encourage productive foreign investment under the "open-door" policy and expedite the inflow of remittances from Egyptians working abroad.

An unspoken fear among many Egyptians is that the Government will resort to exchange controls in the face of an acute hard currency ahortage. Local bankers say this would be disastrous because of the certain disruption to the inflow of remittances, Egypt's principal source of foreign exchange.

There is some capital flight, according to local bankers, because of uncertainty about management of the exchange rate and a feeling that the value of the Egyptian pound will decline further.

There appears to be general agreement both inside and outside the Government that bold initiatives are needed to cope with Egypt'e economic crisis including more candour on the part of the authorities ebout the country's problems. Egyptian officials are terrified by the memories of widespread rioting in 1977 following bread price rises introduced by late presidant Anwar Sadat. They are reluctant to tackle the prices and subsidies head on, preferring instead to raise bread prices in small increments. But according to the IMF the Government is not moving fast enough. Pressures are increasing on the budget and balance of payments.

The pressures on Dr Lutfi are considerabla and, politically, time is short unless the Americans pump some more bundreds of millions of dollars into the Egyption economy in the form of direct grants.

"Dr Lutfi has a grace period because of the circumstances of his surprise appointment," said one prominent local banker, "but he must do something bold by January—otherwise be is doomed."

# Pakistan's 'black cash' scheme pays off

By John Elliott in New Delhi and Mohammed Aftab in Islamabad

A MAJOR fund-raising exercise by Pakistan, aimed partly at reducing the size of the country's black economy, has helped to reduce economic pressures on the government caused by falling foreign currency reserves and its domestic bndget deficit.

Black money and property has been cashed in to buy what the government calls "whitener bonds" worth Rs 15bn (£680m) — fivo times the original target of Rs 3bn.

In addition, Mr Mahnbul Haq, the Finance Minister, announced yesterday in Islamabad that under a separate scheme foreign exchange bearer certificates were being sold at a rate of "$2m a day."

Taken together with a recovery of about 23 per cent in the balance of trade in July and August, and a 14 per cent improvement in remittances from Pakistanis working abroad, these sales mean that there may now be less need for Pakistan to go to tho International Monetary Fund for help.

Mr Haq told the country's national assembly that foreign exchange reserves reached $653m, about five weeks' worth of imports, on September 13, compared with a low of $322m on August 10.

A team from the International Monetary Fund is in Islamabad, continuing talks started earlier this year on Pakistan's economy. Tha talks will be continned in October ot the annual meeting in Seoul of the IMF and the World Bank.

Mr Haq said Pakistan had made no request so far to the IMF for a specific loan or standby credit.

He also denied local newspaper reports that the IMF was proposing increases in electricity, gas and telephone charges and railway fares.

Price rises are a delicate issue which could npset the country'a political stability.

The "whitener bonds" scheme was launched through banks at the beginning of last month. Investors wera asked to pay 90 per cent of the cost of a bond, the remaining 10 per cent being realisable when the bond was redeemed after two years. It was intended that black money should be invested and that, without any legal liabilities, the Government would accept it as whitened (or laundered) money once the bond had matured.

Bnt potential clients complained that they beld their black wealth in buildings, machinery and stocks, not in cash. The scheme was then amended so that 75 per cent of the valne of each bond was coverable by such assets as long as a further 15 per cent (to make he 90 per cent down payment) was cash.

# Botha still backing rebels, says Machel on eve of U.S. visit

BY ANTHONY ROBINSON IN JOHANNESBURG AND REGINALD DALE IN WASHINGTON

SOUTH AFRICA'S Foreign Ministry confirmed yesterday that Mr Pik Botha, Minister of Foreign Affairs, had been called to Maputo on Monday and presented with evidence of continuing South African support for the rebel Mozambican National Resistance (MNR). The news came as President Samora Machel of Mozambique flew to Washington for talks with President Ronald Reagan and other top U.S. officials.

According to the Mozambican news agency (AIM), President Machel, flanked by Mr Sergio Vieira, the Minister of Security, and Mr Oscar Monteiro, Minister of the Interior, told Mr Botha that a successful attack by Zimbabwean army units on two MNR bases in central Mozambique bad discovered "vital evidence proving continuing South African de-stabilisation on Mozambican territory in violation of the Nkomati accords of March 1984."

Mr Botha said later the evidence was being investigated and ha had asked for a further meeting to discuss the matter.

South Africa, which had admitted supporting the MNR prior to the Nkomati accords, has consistently denied continuing official support since then. It also promised on several occasions to tighten surveillanca on the border and crack down on continuing clandestine support from former Portuguese settlers and other MNR supporters resident in South Africa.

During Mr Machel's visit to the U.S., President Reagan will be continuing U.S. efforts to woo Mozambique awey from the Soviet camp, despite strong disapproval of his tactics by American right-wingers.

As the high point of his first-ever official visit to the U.S., President Machel will join Mr Reagan for two and a half hours of talks and a working lunch at the White House — in addition to being feted by other leading members of the Reagan Administration over the next three days.

The red carpet rolled out for the Marxist leadar has infuriated a considerable number of Mr Reagan's conservative supporters, who do not believe that Mr Machel's apparent increasing commitment to the West represents a true change of heart.

Tha conservatives would prefer to see Mr Machel brought down by the right-

Machel . . . first visit to Washington

wing rebels waging a civil war against his government.

On the eve of Mr Machel's visit, five conservative Republican senators expressed open scepticism that the West's attention to Mozambique was really weaning it away from Moscow as the Reagan Administration claims.

In e letter to Mr Reagan, the Senators said they questioned "whether it is in America's strategie interests to prevent the inevitable toppling of a pro-Soviet dedicated Marxist government which bas ruthlessly suppressed its people and bankrupted its economy."

U.S. officials on tha other band, yesterday insisted that Mr Machel was making genuine ebanges in his attitudes towards the West — although they admitted that the process of enticing him away from Moscow was not yet complete.

● As Soutb African forces pushed further into Angola yesterday in pursuit of Swapo guerrillas an embarrased General Coustand Viljoen, Chief of the South African defence force, announced the death of a 28-year-old medical orderly killed in Angola ot the wekend during a clasb between Unita rebel forces and the Angolan army.

Gen Viljoen said that Lance Corporal Bruce Fidler, whose body has been flown to Luanda, was part of a medical team rendering medical support to seriously wounded Unita soldiers. The nnit has now been withdrawn.

A defence headquarters spokesman said the incident had no connection with the current South African action against Swapo. But observers here note that the South African operation coincides with a strong Angolan attack on Unita forces in central Angola hacked up by MiG 23 fighter bombers and Soviet-built helicopter gunships.



# Presidential palace in Beirut shelled

By Nora Boustany in Beirut

SHELLS from Druze-held mountains crashed into the palace of President Amin Gemayel yesterday, demonstrating that no place or person is immune to violence in Lebanon.

An upsurge of fighting in the northern port city of Tripoli, in the hills surrounding Beirut and in south Lebanon over the past two days bas claimed at least 40 lives and wounded 100 others.

Loyalist Lebanese army troops battled against Druze fighters entrenched in mountain positions overnight as fighting across Beirut's greenlina and a Christian-imposed blockade kept intercity crossings closed to civilians.

The most serious battles, however, were in Tripoli where militiamen of the fundamentalist Islamic Unification Movement fought members of the pro-Syrian Arab Democratie Party. The clashes were the worst since 1983, when Syrian-backed guerrillas drove Palestine Liberation organisation leader Yassir Arafet and his supporters out of their last stronghold.

Monday'a shelling in Tripoli killed at least 10 soldiers when the Bahjat Ghanem barracks was hit by rockets and sbells.

In the south, pro-Israeli Christian militiamen fought Moslem forces in Kfar Falous just east of Sidon.

# Jordan, Syria agree pact

Syria and Jordan have agreed during reconciliation talks in Jeddah on steps to improve relations, strained by political and ideological disputes, Saudi Arablo'a Crown Prince Abdullah Ibn Abdulaziz said yesterday, Reuter reports.

The Prince, quoted by the official Saudi Press Agency said egreement was reached between Syrian Prime Minister Abdel-Rauf al-Kasm and Jordan's Prime Minister Zeid Al-Rifie, upon a number of steps to create a suitable atmosphere.

The usually well-informed Saudi newspaper Ash-Sharq Al-Awsat said the two sides had agreed in principle to stop propaganda warfare, lift border restrictions and boost trade. They will resume their dialogue in Saudi Arabia next month, according to the Prince.

# Thai coup leaders arrested

By Boonsong K'Thana in Bangkok

AT LEAST three of the five military generals suspected of masterminding last week's abortive coup in Thailand, were arrested yesterday and charged with conspiracy to overthrow the Government. Thai policc issued warrants for the arrest of a total of 34 persons alleged to be involved.

Those arrested inclnde Gen Kriangsak Chamanan, a former Prime Mininster, Gen Serm na Nakhon, former supreme commander, and Gen Krasae Intharat, former depnty supreme commander. The whereabouts of another suspect, depnty supreme commander Arun Prompthep were unknown. Gen Yos Thephasdin, ex-deputy army commander in chief, who is in a Bangkok bospital, was in police custody.

The arrests came as three members of Gen Kriangsak's National Democracy Party, Mr Ob Yasuratna, the Industry Minister and his two deputies, announced their resignations.

The 34 persons, inelnding fonr union leaders already arrested, were charged of conspiring to overthrow the Government, an offence which carries the death penalty, eccording to police chief Narong Mahanont.

In addition to the five generals, fugitive former tank commander Manoon Roopkachorn, believed to be in Frankfurt seeking political asylum, and his younger brother, Wing Commander Manas, now in hiding on Thailand's western border, are also wanted.

Police had delayed action against the chief suspects because some of them who are MPs or Senators had parliamentary protection while Parliament was in session. The Parliament was declared closed at midnight on Monday.

# Cape marchers demand re-opening of schools

BY ANTHONY ROBINSON IN JOHANNESBURG

THOUSANDS of parents and schoolchildren converged on sbcools in the Coloured suburbs of Cape Town yesterday in an attempt to force Mr Carter Ebrahim, the Coloured Minister of Education and Develoment, to re-open over 450 schools and teacher training colleges closed since September 6.

The decision to close the schools, and send an estimated 500,000 schoolchildren and students homa until October 1, was taken at the height of recent rioting.

This followed the forcible prevention by tha polica of a planned march on Pollsmoor Prison to call for the release of jailed African National Congress (ANC) leader Nelson Mandela three weeks ago.

The minister explained the closure decision by the authorities' inability to guarantee the safety of students at a time when the schools bad become the focus of protest meetings and organisational centres for marches and demonstrations.

The decision was bitterly contested by many parents who faared the effect of prolonged closure on examination prospects and argued that letting ebildren loose on the streets was more dangerous than keeping them at school.

Over 4,000 pupils, parents and teachers gathered outside a secondary school in the suburb of Athlone yesterday to re-open the school unofficially. Similar attempts were made at several other schools throughout the province.

Police fired rubber bullets and teargas to disperse the crowds in Athlone and over 200 people, including parents and teachers, ware arrested.

In an attempt to defuse the crisis Mr Ebrahim and education department officials met with teachers, students and parent representatives in government buildings near parliament to try and work out a compromise which would permit schools to re-open in an orderly manner.

Meanwhile black secondary schools in the Mamelodi township near Pretoria are due to re-open today following a ten-day shutdown, ordered because of school boycotts. Schools in the area and in Soweto, where over 900 students were arrested and then released after two days last week were reported to be tense.

Meanwhile, police reported acattared incidents of violence, especially in the Western Cape where a tanker containing highly inflammable solvent was stoned and petrol bombed by youths on the main road to Cape Town airport on Monday night.

An explosion was prevented by prompt intervention from the fire brigade.

In Johannesburg police arrested 62 shopworkers who were protasting against the dismissal of over 350 black shopworkers by the Edgars department store chain. The dismissals followed a sitdown strike by black counter assistants in a white suburban store in protest against alleged racial abuse by a white stock controller. Black workers in other Edgar controlled stores around Johannesburg and in the Orange Free State came out in sympathy leading to further sackings.

# Hughes plans to file $84m claim for loss of satellite

BY TERRY DODSWORTH IN NEW YORK

HUGHES COMMUNICATIONS of the U.S. is planning to file a $84m (£62.68m) claim with its insurers against the cost of a communications satellite which has failed in orbit only three weeks after its leunch.

Hughes, a division of the Hughes Aircraft company, which was recently purchased by General Motors, said that the problem with the satellite occurred soon after its launch by the space shuttle Discovery on August 29.

The company had since been working to try to revive the satellite but it said that it was now "doubtful that continuing efforts to revive the communications payload would be successful." Initial investigation of the problem indicated it might have been caused by the failure of a cable to the transmission antenna.

The satellite, Syncom 4, was launched by Discovery as part of a network aimed at providing a global communications system for the U.S. navy. Four of the communications units, known by the navy as Leasat satellites, have already been launched, and a fifth is due to the fault developed soon after shuttle fight to complete the network.

Earlier this year, the shuttle Discovery failed to redeploy another Leasat vehicle built by Hughes for the navy, and it was left to drift in space and eventually burn up. In that case, the fault deevloped soon after the satellite was launched by the shuttle, and involved e faulty switch on the payload, which prevented booster motors from firing.

Although satellites have been repaired in space nine satellites from U.S. launches, not including the latest navy unit, have been lost since 1977, with a total insured value of well over $500m.

Difficulties with the complex launch procedure used by the shuttle crafts have been blamed for some of the problems, causing some customers to turn to the Ariane rocket developed by Western European governments as an alternative.

The Ariane programme, however, suffered a serious blow itself last week when a rocket failed shortly after a takeoff being watched by President Mitterrand of France. Engineers were forced to destroy Ariane as it slumped into a dangerous trajectory leading it over land.

Two satellites were also blown up along with the Ariane ricket, one belonging to Evrelsat, the European satellite organisation, and the other to GTE Spacenet, the U.S. communications group, at a total loss estimated at about $190m.

**Doreen Gillespie** in Lima examines the President's attempts to improve services and living standards

# Garcia hands out cheques and hopes in rural Peru

AFTER Sir Alan Garcia's six weeks in office, Peruvians are gradually getting used to the populist habits of their 36-year-old President. His most characteristic move is to make important policy pronouncements during impromptu eppearances on the balcony of the Government palace in the centre of old Lima, or at provincial rallies which be holds tirelessly up and down the country.

Typical of his style was e recent visit to the southern Andes where, instead of promising economic aid, he took a series of cheques with him worth soles 30bn (£1.5m) and handed them out as direct assistance. In the bleak upland plateau of Puno, Sr Garcia told peasant farmers that their soles 20bn cheque would go towards building small-scale irrigation projects and dams, as well as alpaca fibre production and food crops.

Puno is one of Peru's poorest regions and during his brief term in office, Sr Garcia has stressed the need to devote more attention to rural poverty. Because of Peru's poor infrastructure and rugged terrain, his aim is to boost food production in these areas to increase the level of self sufficiency via cheap credit, cost-price fertilisers and a fund for floor prices.

Raising living standards is especially important in those areas of the southern Andes where the Maoist guerrilla group, Sendero Luminose (Shinging Path) is active.

Improving rural incomes is just one leg of President Garcia's policy of combating Sendero Luminoso guerrilla activity. He has set out to clean up the armed forces image and ensure that it does not become tainted, as in the past, by allegations of peasant massacres which have undermined the credibility of the security forces.

This week he dismissed Gen Cesar Enrico Praelli, head of the joint chiefs of staff, after an official investigation implicated the army in killings of civilians in the Ayacucho region of the southern Andes.

A move to decentralise government is linked to this policy of improving rural incomes. As a symbolic gesture. Sr Garcis recently held a cabinet meeting in Cuzco in southern Peru, which approved the first measures of what promises to be a decentralisation of both the administration and state services.

The new Government has endorsed its predecessor's policy of supporting counter trade deals. Creditors bave been encouraged to seek payment in goods, especially non-traditional products.

Actions such as these have been consistent with this radical nationalist's electoral pledges. He has also been consistent in following through with the pledge to limit Peru's debt service payments to 10 per cent of exports. The 1986 budget has earmarked $320m for debt service when nearly $5.1bn is due in principal and interest on Peru's $14bn foreign debt next year.


Peru's international creditors have been informed of this policy and initially Sr Garcia sought to call banks in the country's debt advisory group to a meeting in Lima. However, the banks made it plain they were unwilling to accept this kind of summons to the Peruvian capital. Instead, low level exploratory talks have begun through a delegation to Lima last week.

While Sr Garcia has behaved as expected over debt, he has caused some surprise in his Government's dealings with the foreign oil companies. Two weeks ago, he announced during a provincial rally that the contracts of three foreign oil companies — Occidental, Belco and Bridas — which produce two third's of Peru's oil, had been rescinded by decree.

The companies have 90 days in which to negotiate new terms; but the Government also says the companies will have to invest an estimated $500m which had been deducted on controversial tax credits over the past four years.

Some industry sources hope the measure is mainly for internal political consumption before the Government gives oil companies promised new incentives to promote exploration. But the emphasis on taxes is reminiscent of the old quarrel with the International Petroleum Company, a Standard Oil of California subsidiary, which was nationalised in October 1968 during the first days of General Juan Velasco's military government.

Petroperu has sent 60 engineers to oversee oil production e Belco's offshore platforms Occidental's jungle fields and at the secondary recovery operations on the nothern coast operated by the Occidental-Bridas consortium.

Petroperu also said it would take over the companies' installations if agreement on new contracts was not reached within the 90 days.

The Government, prior to this move, had indicated it was keen to ettract foreign investment, especially to promote further oil exploration. The industry is now waiting to see whether the recision of the contracts was aimed more at winning popular support than against the oil companies themselves.

Belco, a wholly-owned subsidiary of InterNorth of the U.S. has invested $58m in Peru since it started operations in 1960; Occidental estimates its gross investment between 1971 and 1984 at $1.4bn.

Domestically, Sr Garcia's priority is to clamp down on Peru's buge illegal drugs trade and the corruption that has been spawned in its wake. Security forces have begun to mount a joint operation in the northeast jungle in co-operation with the Colombians and the U.S. Drug Enforcement Agency.

The police force is also being cleaned up with a spate of high-level sackings. The latest batch occurred this week with the premature retirement of 126 officers up to the rank of general. The Government has apparently opted for premature retirement as being easier than lengthy, end possihly inconclusive, legal proceedings against those allegedly involved in corruption.

Sr Garcia's moves on the drugs front have to some extent mollified the U.S. Administration, which is concerned by the anti-American tone of some of his statements.

As for the package of austerity measures introduced in early August, it is too early to judge their effectiveness in curbing Peru'e galloping inflation. In August, the cost of living index rose 10.8 per cent against 10.3 per cent the previous month, according to the statistics institute.

However, the authorities hope that this bigh level of inflation reflects the roll-over effect of price rises in July before the Government introduced a price freeze.

# Faction claims Duarte kidnap responsibility

BY DAVID GARDNER IN SAN SALVADOR

A LEFT-WING El Salvadorean faction has claimed responsibility for last Tuesday's kidnapping of the daughter of President Jose Napolean Duarte, the country's U.S.-backed Christian Democrat leader.

The "Pedro Pablo Castillo Front" is a hitherto unknown fection named after a 19th century independence hero. It claims to represent over 400 political prisoners in El Salvador and says it is holding Sra Ines Guadalupe Duarte against the release of nine captured rebel leaders.

Although most prisoners are ecknowledged members of one or other of the five insurgent armies, grouped in the Farabundo, leaders of the Marti Netional Liberation Front (FMLN) have disclaimed all knowledge of the new group. The FMLN, which has been fighting to overthrow successive U.S.-backed governments since 1980, has not claimed responsibility for the kidnapping.

Last month it warned it would spread the fighting to the capital and that Christian Democrat leaders and U.S. edvisers to the Salvadorean army, who had largely escaped the savagery of the civil war, were now legitimate military targets.

Sra Duarte, the eldest of President Duarte's six children, has in the past been heavily involved in her father's election campaign.

A top level Salvadorean Government mission was reported to be in Mexico yesterday to talk with leaders of the Revolutionary Democratic Front (FDR), the rebel political arm, in exile, in a hid to secure Sra Duarte'e release.

One insurgent political leader resident in Mexico said the delegation was "knocking on the wrong doors." Dr Guillermo Ungo, the FDR president, said from Panama that since his front was not an armed group and did not engage in kidnapping he was no wiser than the Government about Sra Duarte'e fate.

The kidnapping has ettracted the attention of both the Government and the country and has provoked e surge of sympathy for the embattled president, who has been steadily losing support particularly among his party's trade union rank and file, since his election victory over the extreme right in April.

The Contadora Group of nations — Mexico, Colombia, Panama and Venezuela—which has been seeking a negotiated settlement of Central America's civil wars, issued a joint statement, with the Foreign Ministers of five Central American nations, including Nicaragua, condemning the kidnapping and calling for Sra Duarte's immediate release.

# Anti-Sandinista leader may leave rebel group

BY TIM COONE IN SAN JOSE, COSTA RICA

DR ARTURO CRUZ, the head of the anti-Sandinista guerrilla alliance UNO, is on the point of quitting the organisation due to strong political differences with its other leaders, according to close friends.

UNO was formed in June bringing together the main U.S.-backed guerrilla force, the FDN based in Honduras and various factions of the Arde guerrilla movement based in Costa Rica. Dr Cruz was the leader of a civil opposition grouping which refused to participate in last year's elections in Nicaragua.

Dr Cruz, a former member of the revolutionary government, is essentially a political figurehead of UNO. The political and military wings of the organisation rest with the FDN whose leadership contains a preponderance of officers and NCOs from the National Guard of the dictator Anastasio Samoza.

Dr Cruz's dissatisfaction is apparently based on his lack of influence within UNO and the presence of figures in its leadership linked to the old dictatorship. He was unavailahle for comment in San Jose.

Meanwhile, a Panamanian guerrilla leader who was fighting with the Arde guerrillas in Nicaragua is thought to have heen murdered after crossing the border into Panama at the weekend.

Dr Hugo Spadafora, a former deputy health minister under the Torrijos Government in Panama, formed an international brigade in 1978 to help the Sandinistas. But in 1982 he turned against the Sandinistas and hegan helping rebel leader, Sr Eden Pastora and the Indian guerrilla group Misurasata to establish a guerrilla front in southern Nicaragua.

He has since fallen out with both groups and last week was talking of establishing his own southern front. He disappeared after crossing the border to Panama but eye witnesses saw him arrested by the Panamanian Netional Guard.

A decapitated body was later found inside Costa Rica, which preliminary indetification suggested was tha body of Dr Spadafora.

# UN chief calls for peace

United Nations Secretary General Javier Perez de Cuellar yesterday called for a halt to the arms race and fresh global efforts to bring about "a general peace," Reuter reports from the United Nations.

Speaking at a ceremony marking the International Day of Peace and the opening of the 40th session of the UN General Assembly, he said be hoped the coming year would see "progress toward the limitation of nuclear weapons."

The three-month General Assembly session was expected to be dominated by southern Africa and intense pressure by the UN majority to end the arms race.

Sr Perez de Cuellar, referring to South Africa, said: "The elimination of unacceptable practices such as apartheid must must be assured."

More than 80 heads of state and government are to gather for the session. President Ronald Reagan, who will be attending the Assembly for the fifth time, is due at the United Nations on October 23 and 24.

The Security Council is to hold a meeting at foreign ministers' level on September 26 to discuss its responsibility for maintaining international peace and security.

It will be the first time the Council bas met with all the foreign ministers of the member states present.

# WORLD TRADE NEWS

## Consortium faces delay on Thai bus contract

BY OUR FOREIGN STAFF IN LONDON

A BRITISH CONSORTIUM led by Leyland Bus faces an uncertain delay in the long-awaited decision by the Thailand Government on a £385m contract to revamp the loss-making Bangkok bus system.

Yesterday's resignation by a party in the coalition Government prevented discussion of the deal at a regular Cabinet meeting. The resignation followed last week's abortive coup, in which the party's leader, General Kriangsak Chomanand, has been implicated.

The cabinet was due to consider the recommendations of a special committee consisting of representatives from the Ministry of Finance, and the National Economic and Social Development Board (NESDB). Earlier reports suggested that the committee wanted the project trimmed, a counter-trade agreement and some sharing of economic risks by Britain.

The contract is to supply 4,000 buses, build 20 depots and to reform the management structure of the Bangkok Mass Transit Authority (BMTA). The project also aimed to restore the BMTA to profit and repay its debts.

The consortium, which links Leyland Bus with the National Bus Company and MVA Consultants, reached an accord with the BMTA in May. The Cabinet put the matter out to the committee at the end of July, and the matter was due to be considered on Tuesday of last week.

Last Monday's "bloody coup attempt intervened, and yesterday's Government changes have brought another delay. As General Prem Tinsulanonda, the Prime minister, is due to go the U.S. and Europe next week. The matter may not come up again until next month.

## Swiss seek improved export risks coverage

BY JOHN WICKS IN ZURICH

THE SWISS Federation of Commerce and Industry (Vorort) says new ways are being sought to improve coverage of risks on exports to private-sector *customers*.

Switzerland's official export risk guarantee system (ERG) insures risk only in the case of sales to public bodies or private companies with official guarantors.

Other risks have been covered by policies with private insurance companies which, a Vorort report says, have substantially reduced their activities in this field, after incurring considerable losses.

The federation last year set up a working party to study proposals that ERG *should be expanded to* cover private bad-debt risks.

Although the working party has drawn up a possible model based on the German Hermes programme, Vorort points out that its introduction would present several problems, particularly in the field of financing and organisation, and a rewriting of the law governing ERG operations.

Stressing the prime importance of sovereign-risk coverage, Vorort has therefore decided not to act on the working party's report for the time being. Instead, it would prefer to come to an agreement with private insurers.

The federation also complains about what it considers to be the evasion by some countries of the OECD guidelines limiting government aid for export financing.

*While the 1976 guidelines* are seen by Vorort as having reduced state support for export credit transactions, the Swiss body claims the rules can easily be circumvented by the use of mixed credits.

## U.S. trade partners attacked

BY STEWART FLEMING IN WASHINGTON

DR CLAYTON YEUTTER, the U.S. Trade Representative launched a sharply worded attack yesterday on the economic policies of America's industrial trading partners, describing their resistance to change and sluggish growth as root causes of America's trade deficit problem.

In testimony in Congress on Democratic Party proposals to impose an import surcharge on imports from countries with large trade surpluses, Dr Yeutter added that "current trade-dampening economic policies of debtor developing nations" were also a source of U.S. troubles.

Dr Yeutter conceded that "the most effective way to lower the trade deficit is to ensure that America *reduces its reliance* on foreign credit to finance continued strong growth in the U.S." But he offered no new suggestions on how this should be accomplished now that Congress has balked at enacting the draconian budget cuts President Reagan has proposed.

"The President's expenditure and deficit-reducing budget and tax reform proposals now before Congress are designed to tackle the problem," he maintained.

Dr Yeutter's remarks come as the Reagan Administration is in the midst of a major reassessment of its trade policy ahead of a speech President Reagan is expected to give next week outlining the White House's trade priorities.

As expected, Dr Yeutter sharply attacked the import surcharge plan sponsored by leading members of the Democratic Party and seen within the party as a vehicle designed in part to focus attention on what *Democrats maintain* are the failed economic policies of the Reagan Administration.

Warning that the surcharge proposal "disregards fundamental problems underlying America's trade imbalance," Dr Yeutter said that if such a plan were enacted the U.S. could expect *its trading* partners to retaliate because it would be exceedingly difficult for the U.S. under the Gatt (General Agreement on Tariffs and Trade) to justify imposing a surcharge.

He expressed concern too that such a step could trigger a loss of confidence in U.S. economic policy management and a collapse of the dollar on the foreign exchanges.

Instead he argued, the U.S. must seek specific solutions to discrete problems created by the trade deficit. "The surcharge is a shotgun approach but what we need is a rifle," Dr Yeutter added.

In his trade policy statement, expected next week, Mr Reagan is likely to outline some specific proposals aimed at opening foreign markets to certain U.S. products and at attacking "unfair" trade practices of U.S. trading partners.

## Rediffusion books jet simulator orders

By Lynton McLain

REDIFFUSION Simulation, the UK flight simulator manufacturer, has won two orders worth a total of $35m (£18.2m) for airliner simulators.

The orders reflect buoyant demand for air transport services across the world and the growth in demand for ancillary equipment that this has created.

The upturn in demand for flight simulators enabled Rediffusion to create 100 extra jobs at its Crawley, Sussex, headquarters in 1984 and another 100 jobs will be needed this year, *Mr Derek Young*, the company chairman and managing director said yesterday.

Rediffusion, part of the BET group, claims to have 55 per cent of the world aircraft simulator market, with CAE of Canada holding most of the balance.

Contracts worth $14m for simulators have been placed with the company by Federal Express, the U.S. express parcels and courier company which has an annual turnover of $2bn. The second contract has been awarded by Varig, the Brazilian state airline and is worth $11m.

Federal Express said yesterday it would start getting a *return* on its $14m investment in Rediffusion simulators 21 months after taking delivery.

The latest contracts bring the order book at Rediffusion Simulation to 22 aircraft flight simulators, worth a total of £140m. The company's current order book compares with the total of 30 civil airliner flight simulators sold by all manufacturers in 1980, when the worldwide business reached a peak, before falling to a low of eight sales three years ago.

"This is an all-time high in our business," Mr Derek Young, the chairman and chief executive of Rediffusion Simulation said yesterday.

The company is building simulators for Boeing 737, 747, and 767 airliners variously in service with Air France, South West Airlines of the U.S., Japan Air Lines and Lufthansa.

It is also building military simulators for the Royal Air Force Tornado interceptor programme, for the Sea King helicopter and for the RAF VC-10 *tanker* and transport aircraft. Work is also under way with the Boeing Military Airplane company for a simulator for the Rockwell B1 strategic bomber entering service with the U.S. Air Force.

Federal Express is to buy a Boeing 727-2S2F flight simulator and a DC10-30 cockpit procedures trainer. The flight simulators for Federal Express will be the first to use the SCI-Clone/32 distributed computer system. This was jointly developed by Rediffusion and Gould Computer systems of the U.S.

The simulators will also use Rediffusion technology including full day, dusk and night textured visual displays with the Rediffusion wide display, which gives the trainee pilot uninterrupted vision over as much as 200 degrees.

The simulators will also include Rediffusions touch activated simulator control, the first time this technology has been used in combination with *micro-processor controls*.

## UK in move to boost energy equipment sales

By Our Trade Editor

THE British Government is sponsoring efforts by businessmen to increase their sales of energy equipment to three *African* countries.

Mr Alastair Goodlad, junior energy minister, is leading a high-level business mission to Botswana, Zimbabwe and *Angola this week*.

The companies represented will be NEI, Babcock Power, GEC Transmission and Distribution Projects, British Electricity International (the foreign marketing arm of Britain's state electricity industry) and Ruston Gas Turbines.

The mission will be studying commercial opportunities in coal mining and offshore oil as well as electricity generation and transmission.

## Gatt committee marks time

BY WILLIAM DULLFORCE IN GENEVA

THE planning and ground work *for an onslaught on barriers to* world trade in agricultural products have been completed in the General Agreement on Tariffs and Trade (Gatt). However, the vital political decisions needed to set the process going will almost certainly be delayed until the new round of international trade talks expected to start next year.

Gatt's committee on trade in agriculture started a three-day meeting here yesterday to prepare a report on liberalising trade on farm products for the regular meeting of the Gatt contracting parties in November.

In fact the committee will mark time. After more than two years' work, during which it investigated restrictive trade practices in more than 50 countries, it has already spelt out the alternatives for action.

*Last November* the Gatt countries agreed that approaches should be elaborated as a basis for negotiations to bring under "operationally effective Gatt rules and disciplines" all measures affecting trade in farm products.

Statements since then from major protagonists, such as the U.S., the EEC, Brazil, Argentina and some developing countries show that they would make widely differing choices among the options.

On the crucial issue of export subsidies, such as those operated by the EEC, the U.S. wants to start by banning all subsidies and then negotiating a short list of exceptions.

The EEC prefers to improve the existing framework of rules. The Europeans are not being obstructive: the Brussels Commission hopes that agreement to *liberalise agricultural trade* would help to solve the problem of financing the Common Agricultural Policy.

The U.S. says that the waiver exempting its agricultural trade from Gatt rules, which it has enjoyed since the foundation of the organisation, can be put on the negotiating table.

Countries such as Australia and New Zealand are resisting the suggestion that they should pay a price in a trade-off for the abandoning of the U.S. waiver.

"We are at the point where we have a chance of bringing some sense to agricultural trade," a Gatt official said at the start of yesterday's meeting. But further progress depends on political bargaining beyond the committee's powers.

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## Norwegian trading arm established

By Fay Gjester in Oslo

Norway's state-owned electronics and weapons group, Kongsberg Vapenfabrik (KV) has set up a trading company which will concentrate on exports to the Soviet bloc.

The new company, Kongsberg Trade, will market the products of other Norwegian companies, as well as those of its parent company and provide services such as market research, arranging project finance, and organising barter deals.

Under one marketing agreement, announced this week, KV will sell the products of Ican, a Norwegian software company, in the Soviet Union, and arrange its representation at three trade fairs there this year. It is also negotiating with the Soviet authorities for permission to open a sales office in Moscow.

KV has been active in Soviet markets since 1970. Over the past few years its sales to the USSR have been worth between NKr 50m-100m (£4.4m-£8.8m) annually, and include advanced dynamic positioning equipment for Soviet oil drilling vessels.

● A delegation from Lenfintorg, the Soviet trading company, is visiting Norway this month to make contact with companies which might be interested in concluding barter deals.

The company specialises in barter deals, mainly with Scandinavian countries, and has negotiated agreements with the Swedish government and companies.

## Statoil in gas exports study

Statoil, the Norwegian state oil company, is to co-operate with Elf Aquitaine, of France, in studying the prospects for liquid gas exports from Norway to Western Europe, writes our Oslo correspondent.

The study, expected to take about a year, will look at the use being made of Europe's existing LNG terminals and the possible need for additional facilities. There are eight terminals either in operation or under construction in Western Europe. Three are in France and one in each of *Germany, Belgium*, Holland, Italy and Spain.

Elf is also studying the economics of laying a pipeline between two North Sea *gas fields on which it is* operator—Heimdal, in the Norwegian sector, and Frigg, which straddles the UK/Norwegian boundary.

## Scots hope visit to Moscow is fruitful despite expulsions

*BY PATRICK COCKBURN IN MOSCOW*

THE SCOTTISH trade delegation to the Soviet Union could hardly have arrived in the country at a less propitious moment. But it is still too early to know how the expulsion of Soviets and Britons from London aod Moscow will affect trade between the two countries.

*Mr George Younger, the Sec*retary of State for Scotland who was to have led the delegation of 18 Scottish businessmen, pulled out at the last moment. Mr Fraser Wilson, the British diplomat who organised the programme for the group, is on the list of embassy staff in Moscow who must leave the country within three weeks.

The Soviet news agency, Tass, noted the group's arrival this week without reference to the expulsions, but heavily underlined the fact that the group came from Scotland.

Contracts under the Soviet Union's next five-year plan (1986-90) are being finalised, but the diplomatic crisis with the UK has severely limited the access of the delegation, mainly drawn from the oil and gas industry. The group held a meeting at the Oil Ministry in Moscow yesterday, but only saw officials of limited seniority. A visit to the Coal Ministry was cancelled.

Anglo-Soviet trada is lower than trade between the Soviet tomers for oil and gas in Western Europe such as West Germany, France and Italy. In the first seven months of this year, however, British exports totalled £375m, a little lower than a year earlier which was inflated by heavy Soviet purchases of non-ferrous metals in the UK.

British companies are also bidding for two big turnkey contracts together worth more than £1bn: Imperial Chemicals Industries (ICI) and Davy *McKee for a polyester plant* at Ufa and John Brown for a petrochemical plant. Diplomats in Moscow expect the contracts to be awarded early oext year.

*The Soviet Union is a growing* market for oil and gas equipment and engineering. It is still the world's largest oil producer with 613m tons of crude last year, slightly down on 1983.

Moscow's reaction to the continuing fall in oil output in the first half this year has been to substitute gas and coal in tha power stations, and to try to prevent a further decline. Exploration is to be increased by 40 per cent in the next five years with a 90 per cent jump in Siberia. Drilling will be *deeper in existing fields and* areas of West and East Siberia where only limited exploration has takeo place.

There will also be increased emphasis on secondary recovery in existing oilfields. Mr Vitali Vorotnikov, a senior Politburo member, said recently that the Soviet oil industry was getting only 40-45 per cent of crude to the surface, but that his specialists say this can be raised to 60-70 per cent.

The increase, presumably, will require increased supplies from Western companies. Drilling at greater depths requires higher quality pipe and casing, and the lack of those materials has proved a problem in the past.

Secondary recovery and more sophisticated enhanced oil recovery (EOR) "has been hampered by severe shortages of equipment and chemicals," according to a specialist study on Soviet oil.

> Modernisation can only be achieved through increasing imports but reliance on supplies from abroad is not popular in Moscow, where the emphasis is on indigenous manufacture

Tha need to discover new Soviet oil also means an expansion in the offshore drilling programme primarily in the deeper waters of the Caspian Sea, but also off Sakhalin island in the Far East and on the Baltic.

The Kremlin wants increased exploration, better secondary recovery and enhanced recovery in the immediate future and on a vast scale. It is *difficult, if not impossible*, to see how this can be done without imports of oil technology much above the level of the past five years.

The same argument applies to the plans of Mr Mikhail Gorbachev, the Soviet leader, to modernise existing plant, expand the machine tool industry and retire obsolete machinery at twice the present rate.

Modernisation can only be achieved by an expanded programme of imports; but at a time of embargoes and increased trade restrictions in the west on exports to the Soviet Union, that reliance on supplies from abroad is not popular in Moscow where the emphasis is on indigenous manufacture.

The Scottish trade delegation will discover what role is to be played by imports in the next five-year plan—and the degree to which the choice of supplier will be modified by political crises.

## British group in Belgian deal

By Our Trade Staff

THE Belgian Ministry of Education has signed a contract with Electronic Data Systems (EDS) of the UK for the integration of its computer systems.

The five-year agreement is EDS's first major deal with a government agency in Europe.

EDS will upgrade and enhance the central computer system, and handle salary and administrative data at more than 4,500 schools in Flanders.

# These two told us what we could do with our components.

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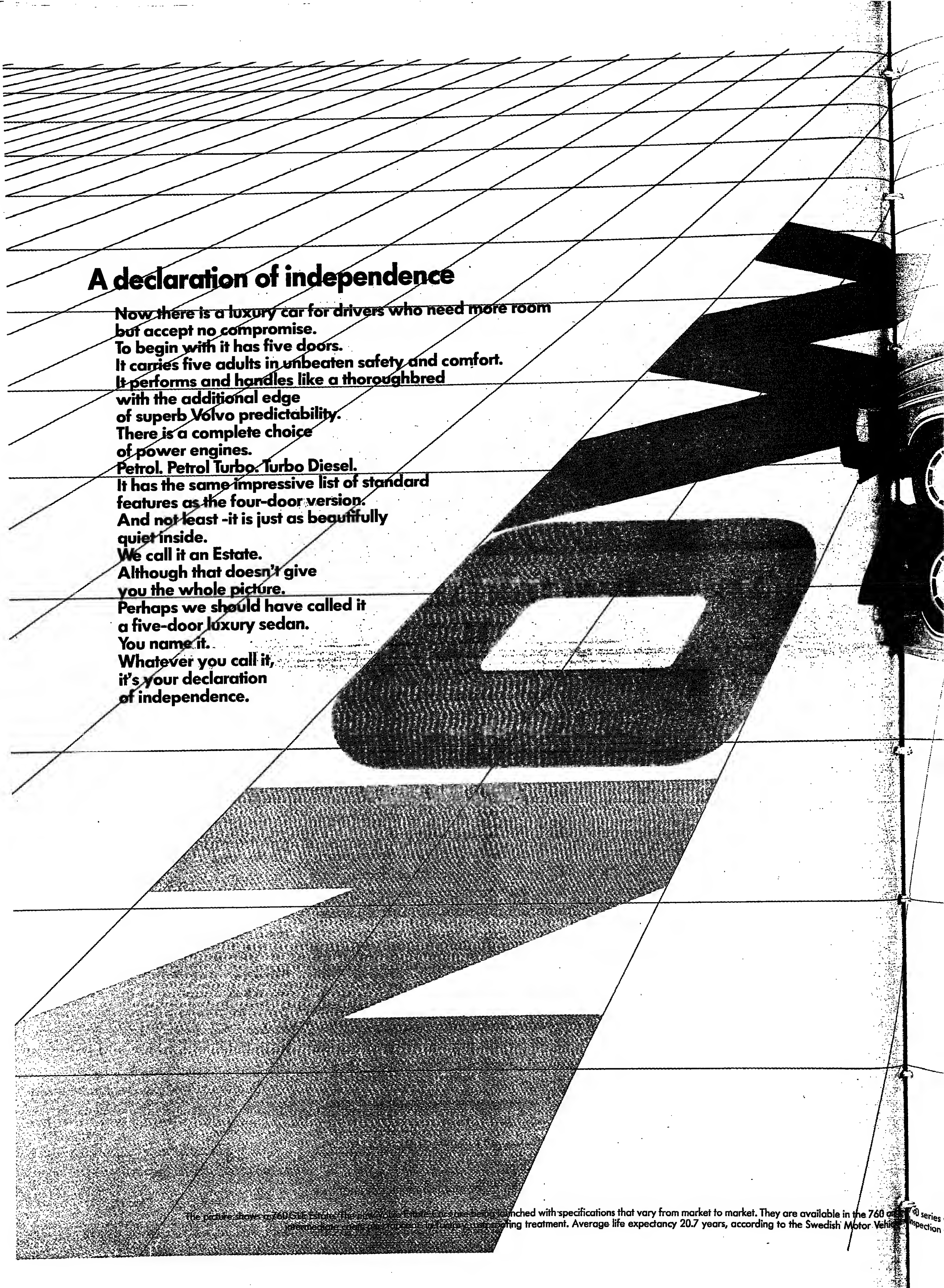
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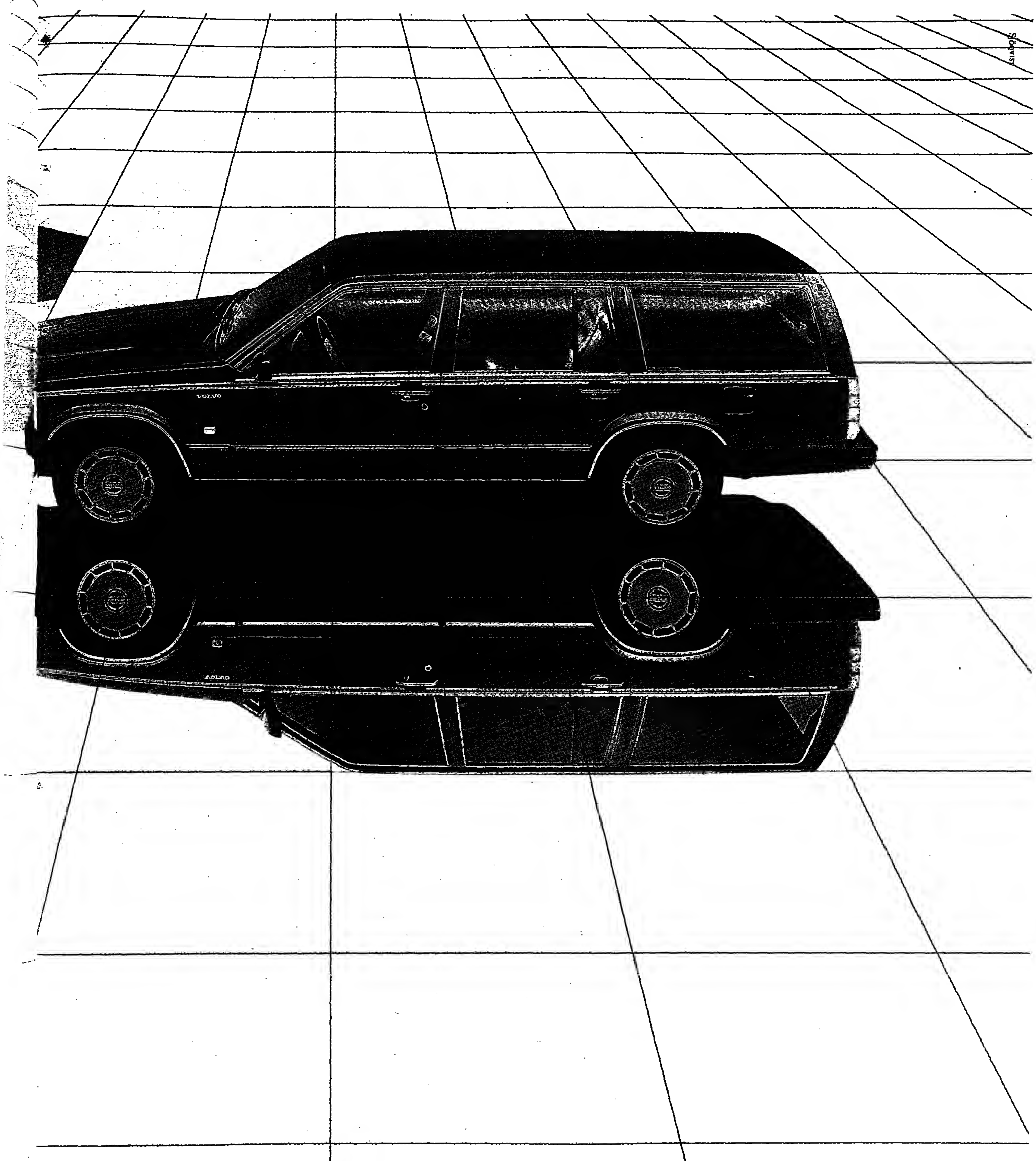


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# UK NEWS

## Trials to begin on alternative fuels

By Maurice Samuelson

THE NATIONAL Coal Board (NCB) is hoping to collaborate with a group of major industrial companies to develop new coal-based fuels capable of replacing dearer fuel oil in large industrial boilers.

With Babcock Power, Foster Wheeler and Elf-Aquitaine, France's state-controlled oil company, the NCB is planning a £5m pilot plant in the Midlands.

It would examine the potentialities of two rival systems for handling coal in fluidised form – either as a very fine dry powder or as a powder suspended in water.

Coal water mixtures are at present being commercially produced in the U.S. and Sweden, but several of the companies who have looked at them are said to have invested in the idea without success.

Mr Ian MacGregor, NCB chairman is, however, understood to be enthusiastic about the idea and the pilot plant would develop a process proposed by Babcock Power.

The plant will also examine the commercial potential for very fine powdered coal as a result of successful trials at a Courtaulds plant of a U.S. process for which Howden of Glasgow owns the UK patent.

The main difference between the two schemes is that whereas coal water mixtures could be manufactured at tha coal mine, the powdered coal, which is far finer than that blown into power station boilers, is so inflammable that it would have to be milled at the place where it would be used.

The NCB has offered a site for the pilot plant alongside Rufford Colliery, Nottinghamshire. It would initially produce up to 50,000 tonnes a year for market assessment.

It would be largely funded by the NCB and by an EEC grant. Northern Engineering Industries, the Tyneside-based boiler makers, may also be involved.

According to the NCB, there could be a market for at least 2m tonnes a year of powdered or water mixed coal.

Peter Riddell, on the opening day of the Liberal assembly

## Alliance seeks industry funds

THE SOCIAL DEMOCRAT/Liberal Alliance will shortly launch a major fund-raising appeal to industry after recent signs of increased interest from the chairmen of a number of large public companies.

Mr David Steel, the Liberal leader, and Dr David Owen, the Social Democrat leader, will send a joint letter which will be followed up by a 45-minute presentation by senior Alliance figures to boards of companies expressing interest.

The letter will argue that the Alliance is now clearly established as a major third force with a good chance of sharing in government after the next general election, and that only the Alliance can prevent the return of a Labour government.

This approach will be paralleled by renewed attempts to open discussions with the trade union leaders after recent rebuffs. A resolution calling for the initiation of such discussions on Alliance policy will be debated tomorrow at tha Liberal Party's annual assembly in Dundee, Scotland.

The Liberal assembly yesterday opened in a businesslike way with scarcely a hint of the rebelliousness and eccentricity of previous years.

Mr Steel sought to increase the Alliance's credibility by calling on other party leaders to hold talks before the next general election about how a government might be formed if no party had an overall House of commons majority.

In a later television interview, he said the Alliance would vote against the Queen's Speech to parliament if it did not include proposals for proportional representation.

Mrs Shirley Williams, the SDP president, said that in any such talks the Alliance would insist upon constitutional reforms, action to reduce unemployment, strengthening the EEC and joining the European Monetary System. It would press for major cuts in strategic arms limitation talks at Geneva, for a comprehensive nuclear test ban and a ban on chemical weapons.

Alliance leaders report an increase in interest from industry after the improvement in its opinion poll ratings and because of industry's fears of a left-wing Labour government. Mr Anthony Jacobs, the Liberals' joint treasurer and chairman of the British School of motoring, which is a large donor of funds to the party, said that a number of boards of directors was considering donations which would not previously have done so.

The joint Alliance fund has been recently receiving donations of about £50,000 a year from both individuals and companies. Mr Jacobs said he expected this to rise to around £75,000 a year by the end of 1985. This money is used to finance party political broadcasts and joint campaigning and research projects.

Among groups which have given either to the joint fund or to both Alliance parties equally are Tate & Lyle, Morgan Crucible, SGB Group, Pearson, the owner of the Financial Times, as well as a number of insurance companies.

The hope of Alliance fund raisers is that, by playing on fears of a Labour government, they will be able to get business to hedge its bets.

Shirley Williams: wants EEC strengthened

## Unity urged in run-up to general election

BY KEVIN BROWN

RANK AND FILE Liberals were warned by Alliance leaders yesterday to avoid damaging disagreements, even on minor issues.

Mrs Shirley Williams, the Social Democrat president, won a standing ovation at the Liberal assembly for a speech in which she claimed controversy over relations between the Alliance parties was a reflection of the Alliance's potential electoral success.

Her views were echoed by Mr David Penhaligon, MP, the new Liberal president, who warned that those who sought success for one part of the Alliance at the expense of tha other were among the few friends the Conservative Government still had.

Mr Alan Watson, the retiring Liberal president, and Mr Paul Tyler, the party chairman, also delivered appeals for visible Alliance unity in the run-up to the next general election.

The renewed concern with unity follows speculation at the SDP conference last week about personal difficulties between Dr David Owen, the Social Democrat leader, and Mr David Steel, the Liberal leader. There was also controversy over a leaked report by Mr William Wallace, an adviser to Mr Steel, which described SDP leaders as "wasting assets."

Mr Wallace was given a rousing reception when he addressed delegates yesterday. He said tha leaked report was out of date, and insisted that relationships between the policymakers of the two parties were now harmonious and fruitful.

Mrs Williams, making an address on behalf of the SDP, said the Alliance was a serious contender for government and should expect close scrutiny in the next two years. Any rift, however small, would be magnified into a confrontation or major clash of principle.

Mrs Williams said critics should look at the evidence of partnership between the two parties in practice – the 23 county councils where the Alliance held control or the balance of power, and the nearly 600 parliamentary constituencies where agreement had been reached on the choice of general election candidates.

Mrs Williams said the confrontational politics of the Government and the Labour Party were sacrificing the welfare, prospects and safety of the British people to the politics of dogma, division and despair.

Mr Penhaligon said the Alliance performance in the last general election and in the county council elections in May showed that a single political force was being created which would be a force to be reckoned with. But he warned that there could be no success for one half of the Alliance without the other.

□ The assembly rejected calls to leave the European Liberals and Democrats (ELD) – the umbrella grouping of EEC Liberal and Radical parties.

Mr Chris Wilding won substantial support for complaints that a number of ELD members had adopted policies which were fundamentally incompatible with the British Liberal philosophy.

The ELD manifesto (policy programme) for the last European parliament elections was a deeply monetarist document of which Mrs Thatcher would have been proud, he said.

The ELD was defended, however, by Sir Russell Johnston, leader of the Scottish Liberal Party, who urged delegates not to be "beguiled by the lures of insularity and nationalism."

Party leaders also made clear in documents distributed to delegates that leaving ELD would cost the Alliance substantial sums of money.

Delegates approved an amendment moved by Mr Michael Steed, a former Liberal president, urging the party to remain within the ELD elected Liberal MEPs were able to explore the possibility of political realignment in Europe.

□ The assembly voted overwhelmingly to oppose British support for President Ronald Reagan's Strategic Defence Initiative.

Mr Jim Wallace, MP the Liberal defence spokesman, said President Reagan's scientific advisers were among the few who believed the "star wars" system could provide a 100 per cent effective protective umbrella against nuclear attack.

## Thatcher condemns Alfonsin meeting

MR NEIL Kinnock, leader of the Labour Party, was criticised yesterday by Mrs Margaret Thatcher, the Prime Minister, for his decision to meet President Raul Alfonsin of Argentina, write Robert Graham in London and Roger Matthews in Cairo.

The Paris meeting today will be the first formal contact by a senior British politician since the 1982 Falklands conflict. It was arranged in secrecy under the auspicies of the Socialist International and was announced late on Monday after Mrs Thatcher had left for a tour of the Middle East.

From Cairo Mrs Thatcher condemned the meeting because Argentina had not formally declared an end to hostilities. The people of the Falkland Islands would be "deeply upset."

She said that there had been no reciprocal response to Britain's unilateral decision in July to restore trade links.

Mr Kinnock said: "Silence serves the interests of no one, least of all the Falkland Islanders." Ha intends to discuss all outstanding issues, which should include sovereignty.

□ BRITISH AEROSPACE (BAe) is to lead a seven-nation consortium in feasibility studies for a new short-range missile designed to counter radar threats on the battlefield.

The consortium is made up by BAe, The BDM corporation of the U.S., AEG of West Germany, Holland Signaalapparaten, Philips and MBLE Associated of Belgium, SNIA-BPD of Italy and Canada's Garret Manufacturing. The missile is intended to meet a Nato requirement for the self-defence of aircraft against hostile ground-based air defences. The study is expected to last 15 months and will cost $10m to $15m.

□ MAIL order businesses are in decline. This is the conclusion of a survey by the Mintel market research group.

The group forecasts that the decline will continue. The share of sales by mixed retailers accounted for by mail order fell from 21.7 per cent in 1980 to 18.2 per cent last year.

Mail order companies have also lost market share in consumer credit business, from 64 per cent in 1980 to 61 per cent last year. Easing of restrictions on consumer credit caused the decline, Mintel said.

□ NINE mineworkers in Scotland who were dismissed by the National Coal Board during the year-long pit strika which ended in March have been told by the board that they may have their jobs back. The board said it planned to review the cases of all 204 miners in Scotland who were dismissed for various offences during the dispute.

□ TI Machine Tools is to take on further workers at its Coventry factory as a result of overseas orders. It said it had won £750,000 worth of orders from three U.S. companies for thread grinders and lathes. TI's order book is 50 per cent higher than at this time last year.



## Call for Liverpool strike faces uncertain response by unions

BY RICHARD EVANS

LIVERPOOL trade unions were in considerable confusion yesterday after a call from leaders of the city council's 30,000 workers for an indefinite strike from next Wednesday.

The Labour-controlled council, racked by a budget crisis that threatens bankruptcy within weeks, has backed the unanimous vote of council workers' leaders for strike action in protest at the Government's refusal to grant or loan extra money to the city. The affected workers are represented by 11 unions.

The local executive of Nalgo, representing the city's 6,300 technical, administrative and clerical workers, decided yesterday to reverse an earlier decision and to support the strike call. But many Nalgo members were insisting that they would not be voting in favour of the strike at mass meetings due in the next few days.

The National Union of Teachers firmly opposes strike action but its hands might be tied if, as expected, school caretakers – members of the General and Municipal Workers Union – refuse to open the city's 300 schools.

The strike call is certain to bring confrontation with the Government closer.

Mr Kenneth Baker, the new Environment Secretary, confirmed yesterday that he had rejected the application from the council for a £25m loan to meet the budget shortfall. He also refused a council request for a meeting.

"I have turned down borrowing consent because it would be completely out of line with proper financial practice and because it would simply make Liverpool's bad financial position even worse," he said.

He had turned down a meeting because the remedy for Liverpool's financial difficulties lay clearly with the council and not with the national taxpayer.

"Let nobody be fooled by Liverpool's propaganda. They must live within the same financial rules as everyone else," he added.

Later, speaking on BBC radio, Mr Baker attacked the city's leaders for their "stubborn refusal to face reality" and for holding a pistol to the head of the Government. In his view, to allow the authority to borrow money would make 1986 "a real disaster year for Liverpool."

## Moderation in pace of public sector borrowing

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE PUBLIC Sector Borrowing Requirement for the first five months of the financial year was £4.4bn, some £2.5bn less than at the same time in 1984, the Treasury said yesterday.

The latest borrowing figure appears to have encouraged officials to believe public borrowing can be somewhere near the £7.5bn target figure by the end of the financial year.

Last year's borrowing, inflated by the effects of the miners' strike, came out at £10.2bn in the year to March, compared with a target of £7bn.

This year, spending is running ahead of its planned rate because of higher than expected inflation, but the indications so far are that the excess will be absorbed by the Treasury's substantial reserve of £5bn.

Although spending in the first five months of the year is more than half the planned total, the public sector usually achieves low borrowing figures or surpluses in the tax-paying season towards the end of the year.

One of the main uncertainties facing the Treasury is the borrowing behaviour of local authorities, which has varied wildly, even in the last month of the financial year. In August, the local authorities increased direct borrowing from the Government by £1.05bn after four months in which the average rise was only £150m.

This sharp increase in borrowing from the Government appears to have been used partly to pay off loans to the non-bank private sector.

# Discovery by Arco in N. Sea 'hot spot'

By Dominic Lawson

ATLANTIC RICHFIELD (Arco) the U.S. oil company, has made a promising oil and gas discovery in Block 29/5A in the UK sector of the North Sea, about 150 miles east of Aberdeen.

The well tested three zones, the best of which flowed 32m cubic feet of gas a day and 4,000 barrels of very light oil a day. The discovery highlights quadrant 29 as the present North Sea 'hot spot,' with a number of oil companies now drilling in the area after many years of inactivity.

Last week Premier Consolidated Oilfields, the UK oil exploration company, found an oilfield in block 29/9B, a few miles to the south east of Arco's find, which flowed more than 9,000 barrels of oil a day from two zones.

Meanwhile, Ranger Oil of Canada is drilling a well on block 29/5B, adjoining the Arco find, which is believed likely to yield a gas discovery.

Arco plans further drilling to establish the size of its discovery. Oil analysts speculate that it may contain up to 1 trillion (million million) cubic feet of gas and 50m barrels of very light oil.

Arco, Esso and Shell each have a 25 per cent stake in the discovery. Mobil has 18.5 per cent, Norsk Hydro has 6 per cent and Monument Oil and Gas of the UK has 2.5 per cent. Yesterday Monument's share price dropped 1p to 17p.

● British Petroleum should use up to three 'mini tankers' costing around £10m each to transport oil from its Wytch Farm oil field in Dorset to refineries at Fawley near Southampton or Rotterdam, the Poole Harbour Commissioners said yesterday.

The Wytch Farm oilfield spreads into Poole Harbour and the commissioners are concerned that other means of transporting up to 60,000 barrels a day from the UK's largest onshore oilfield would be less beneficial to the area.

● Conoco of the U.S. has made a big oil find off central Norway. The third well on Norwegian block 6507/7 yielded 5,465 barrels of oil and 93,000 cubic metres of gas a day from the best test.

# Talbot blames large loss on Iran problem

BY JOHN GRIFFITHS

TALBOT UK, the British subsidiary of the French Peugeot group, made a sharply increased net loss of £13.1m in the first half of this year which it attributed to problems with the export of Peykan car kits to Iran.

The company, which lost £1.9m in the same period last year, said yesterday that it had reached a new agreement with Iran after making no shipments during the accounting period to the end of June.

Since then 35,000 kits worth £70m had been shipped. The contract should be worth up to £130m for a full year.

The agreement would produce a return to profitability for the second half although there would still be a loss for the full year because of the launch of the C28 medium car which is to be put into production at Ryton next month.

Talbot is understood to have received sufficient funds in letters of credit from Iran to cover the kits just sent and to keep its Stoke plant in production for several weeks.

Previously, no kits had been shipped to Iran since last November. The business has been interrupted several times as a result of the Iran–Iraq war, but the latest hold-up was caused by difficulties with a complex oil counter-trade agreement.

For the first half of the year, turnover was down to £228.96m (£286.4m). Gross profit fell to £41.42m (£52.6m). The operating loss was £5.38m (1984 profit of £3.69m). Interest charges rose to £8.2m (£4.69). An exceptional credit of £527,000 compares with a debit of £862,000 in the same period last year.

# Channel Tunnel Group plans roll-on terminal

BY ANDREW TAYLOR

A NEW roll-on-roll-off rail terminal capable of carrying up to 650 cars and 100 lorries an hour could be built on a 350-acre site at Cheriton, south-east Kent if plans to build a Channel Tunnel are approved by the British and French governments in the new year.

Channel Tunnel Group, a consortium of British and French construction companies and banks, yesterday unveiled further details of its plans to construct two single-track railway tunnels, more than 31 miles long at an average depth of 130ft (39.6 metres) beneath the sea bed.

Channel Tunnel Group, is one of several Anglo-French consortia, vying to build a fixed-link across the Channel. Detailed financial and technical submissions have to be made to both governments by the end of next month.

The construction of a twin-bore rail tunnel with a smaller diameter connecting, service tunnel, would involve a significant increase in rail facilities in south-east Kent according to preliminary studies into the environmental impact of the scheme published yesterday by Channel Tunnel Group.

It reveals that the UK end of the tunnel would start at Holy Well just west of Folkestone, passing under Shakespeare Cliff before heading towards the French coast. Construction would involve the production of 238m cubic ft (6.7m cubic metres) of waste matter to be disposed of in the UK and France.

There are also plans for British and French customs, health and immigration facilities to allow one-stop customs checks for passengers travelling from the UK to France. Similar provisions would be made in France for passengers travelling in the opposite direction. No decision has been made yet on whether duty-free shopping might be permitted at the terminals.

# Renault expects profit in UK

By Kenneth Gooding, Motor Industry Correspondent

RENAULT's subsidiary in the UK broke even last year and will make a small profit in 1985, M Guy Bergeand, the managing director, claimed yesterday.

In 1983 Renault UK suffered a £4.6m net loss on a turnover of £287m. Since then, however, the company has rapidly built up sales of its Trafic and Master vans and this year its penetration of the British new car market has improved following the launch of the new R5 and the top-of-the-range R25 models.

M Bergeand said his company was making progress on all fronts – the parts and component business was also doing better – so that turnover reached about £400m last year and would top £500m in 1985.

Renault UK at the beginning of this year expected to sell about 87,000 new cars but delays to the introduction of some models had caused it to scale down expectations to between 84,000 and 87,000, he said.

Last year the company's registrations reached 59,779 for a market share of 3.42 per cent compared with 62,923 and a 3.51 per cent share in 1983.

The company forecasts the new car market in the UK will reach 1.78m this year so, if it achieves its sales objectives, it will lift its penetration to between 4.7 per cent and 4.9 per cent.

M Bergeand pointed out this was in line with Renault UK's target of gaining a profitable 4 to 5 per cent of the market.

Renault van sales this year would total about 18,000, up from 7,253 in 1984 and double the 5,048 in 1983.

● Fiat is launching its first diesel car in the UK, a version of the Regata saloon. The move is described by Fiat Auto (UK), its wholly owned importer, as a "toe-in-the-water" exercise as a result of the swift growth in total UK diesel cars since 1982. It expects to sell 550-600 in the first year.

# Laura Ashley, creator of textile design group, dies aged 60

BY CHRISTOPHER PARKES AND JAMES McDONALD

Mrs Laura Ashley: from fabric printing on a table top to an international company with annual sales of £112m

MRS LAURA ASHLEY, deputy chairman of the international textiles, clothing and furnishings group which bears her name, died yesterday, 10 days after her 60th birthday.

She had been in an intensive care unit at a Coventry hospital since a fall down stairs at her daughter's home in the Cotswolds on September 8. She never regained consciousness.

Mrs Ashley and her husband Bernard, the group's chairman, set up the company in 1953 with fabric printing on a table top at their London home. The group today has 11 factories, almost 200 shops worldwide and consolidated annual sales of £112m.

Mr Peter Phillips, financial director, said yesterday that Mrs Ashley's death was not expected to affect the plans to seek a full listing of the company's shares on the London Stock Exchange by early spring next year. There would, however, be discussions with the company's advisers.

The newest and largest Laura Ashley shop was due to open today in London's Oxford Street, but this has been postponed for a week as a mark of respect.

In the development of the company, Mrs Ashley concentrated on the design and management philosophy, while her husband, with a team of professional managers, have been responsible for most of the financial and industrial decisions.

Mrs Ashley designed all the early clothing and fabric patterns on which the company's reputation for quality products and a romantic and nostalgic style was built.

Since 1980, when her son Nick became design director, she travelled widely in search of ideas while still continuing to vet all patterns. She contributed a home furnishings collection every year.

Mrs Ashley's impact on management style was equally strong. Her Welsh Baptist background and affection for family life prompted her to forbid night shifts at the company's factories. All workers – mostly women – end their week at lunchtime on Fridays to ensure a restful weekend.

Partly because of this "maternalistic" style, staff turnover at the group's main factories near its headquarters at Carno, Powys in Wales, is exceptionally low at only about 2 per cent a year.

Redundancies have been unknown. Any of the 4,000 workforce displaced by automation, for example, are retrained for other work in the company.

Mrs Ashley was understood to have been uneasy about the plans, announced in July, for the stock market flotation. Her husband Bernard said recently that Kleinwort Benson, the bankers handling it had been asked to work out a scheme which would allow the workforce to take part in the flotation "on favourable terms."

About 10 per cent of the stock is expected to be vested in the Ashley Foundation, a charitable trust set up mainly to benefit children and medical causes.

The success of Laura and Bernard Ashley brought them a private aircraft and a yacht, a chateau in France and a mansion near Maidenhead, Berkshire. It also caused them to go into temporary tax exile in New York and, more recently, the couple spent much of their time at their home in Brussels. Earlier this year, Mrs Ashley said she had no plans to retire.

A company official said yesterday: "Mrs Ashley set many standards for us all through her designs. We are fortunate that the organisation she leaves behind, which she and her husband established, is capable of maintaining those standards.

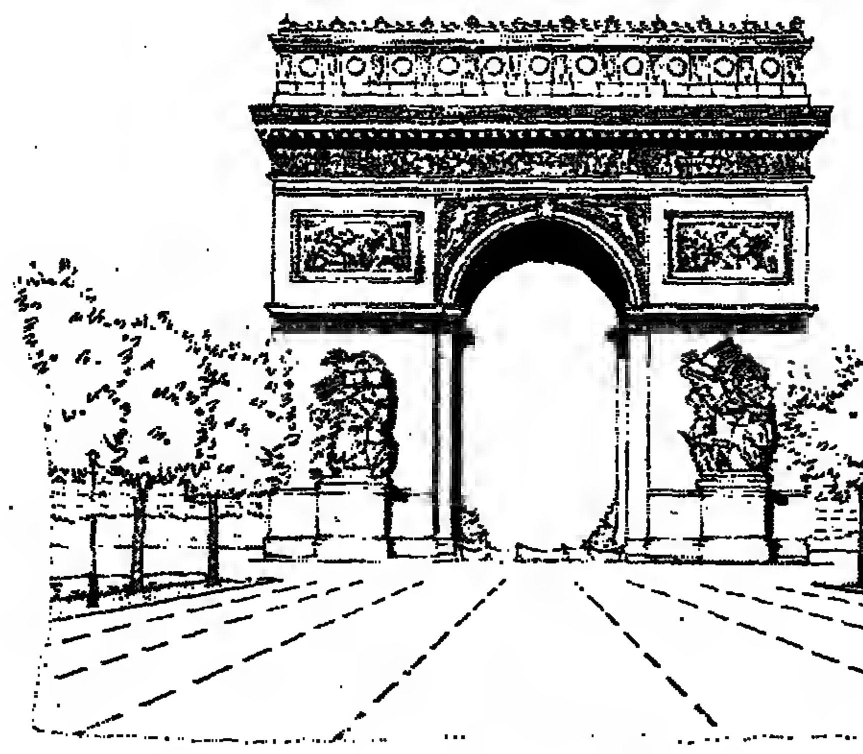
"We have every intention of continuing the success story, which she started, under Mr Ashley's leadership."

A tribute to Mrs Ashley came yesterday from Sir Terence Conran, chairman of Habitat Mothercare and another leading British designer.

"Their business has developed alongside ours in all parts of the world and Laura has been the inspiration behind that business," he said.

"The interesting thing is to look at the way the Laura Ashley style has developed and never stood still – always up to the moment, always full of new ideas, always appropriate."

Sir Terence added: "She has been one of the real contributors to the resurgence of design and style in postwar Britain, and enhanced Britain's reputation around the world."







# UK NEWS

## BA tries to match holiday leaders

By Arthur Sandles

BRITISH AIRWAYS has declared its intention of matching the package tour market leaders Thomson and Intasun by holding down prices for much of its 1986 summer business.

It said its Enterprise summer sun programme for next year would have a zero average price rise – about half the holiday prices would be reduced – and capacity would be increased by up to 20 per cent.

Mr Terry Grew, managing director of BA Holidays, who claimed to have overtaken Horizon and Cosmos to become the third largest tour operator in Britain, said: "We are not satisfied with being third. We have the resources and are determined to close the gap."

This declaration must be seen against the prospect of the privatisation of British Airways and speculation that the tour operations, which are managed as a free-standing unit, could be sold separately.

It would seem that BA would have to double its tour activities to match Thomson and Intasun, which both carry well over 1m passengers a year.

BA is looking for a 20 per cent increase from Enterprise, which is its mainstream brand. Its Sovereign programme will be published later this month and Martin Rooks, a direct selling operation, will also launch soon.

Enterprise is the first major name to launch its programme for next summer and BA believes that it will set the pace. "We predict that our rivals will be forced to follow suit with low prices for next summer, which should result in a healthy 10 per cent increase in the market."

The brochure indicates that next summer Spanish holiday prices will be the same or perhaps cheaper than this year but prices for Greece and Yugoslavia will rise – sometimes substantially.

Enterprise has tripled its apartment rental capacity and introduced new destinations in the Greek islands and Yugoslavia. It is also introducing a cruise programme and has widened the number of departure airports.

It is guaranteeing to hold prices for people who book before Christmas and is giving away a leather passport wallet complete with pocket calculator to those who book before the end of November.

## Carpet takeover could challenge Belgian invasion

BY CHRISTOPHER PARKES

IT MAY be late, but the planned fusion of two of the best-known UK carpet manufacturers with John Crowther, the Huddersfield, Yorkshire textiles company, could be the catalyst the industry has been seeking to fight the overseas challenge led by the Belgians.

City stockbrokers were being besieged by smaller carpet makers wanting to get in on the act even while the purchase of Carpets International UK and Weavercraft Industries was still in the rumour mill. Mr Trevor Barker, chairman of Crowther, said last week when the takeover plan was announced that there was scope for reorganisation on the scale which transformed the textiles industry some five years ago.

A stockbroker described the takeover as what the industry had been waiting for.

"We shall probably see a lot more swapping and dealing among other companies trying to enhance their strengths."

The industry at large is hard-pressed, although Britain is still the leading manufacturer of traditional heavy patterned, highly durable woollen Axminster carpets.

They appear to be enjoying a revival on the back of fashion interest in natural fibres. High quality floor coverings for which consumers are willing to pay up to £20 a square metre are also in growing demand.

Elsewhere, recent events have a familiar ring: a traditional trade, undermined by recession, lack of capital, its own outdated machinery and marketing methods, has been sent reeling by aggressive overseas suppliers.

Between 1976 and 1984 annual UK carpet production fell from 177m to 132m square metres. Exports have fallen from 40m to 14m sq m, and imports have risen from 11m to 60m sq m. The workforce has almost halved in the past five years to 16,400.

The Belgians now account for about half of all imports by volume and have been singled out for accusations of "dumping" and unfair subsidies. Their products are commonly seen in chain outlets for £1.99 a square metre – less than half the average British price.

Mr Michael Abrahams, head of the private Weavercraft company and the man who proposed the deal to Mr Barker nine months ago, is not one to point the finger. He has no wish to be diverted by drawn-out wranglings with government departments or the European Commission's competition department.

He praises the Belgians as efficient carpet makers and would like to form a major group to compete against them.

Mr Abrahams is a renowned opportunist with 25 years' experience in the business. He made his mark building up the carpets end of AW (Securities) which was sold in 1974 to Champion, a U.S. timber and paper company. He bought it back in 1980 and incorprated it into Weavercraft which now claims about 5 per cent of the £110m-a-year tufted carpet market.

He also learned a good deal about the competition during a stint as chairman of AW Europe in Belgium. He left a year ago when the management bought out the company.

City experts share Mr Abrahams' enthusiasm for the complementary nature of the businesses in the link. Carpets fit naturally into the woollens, yarns and clothing interests of Crowther, which already was a small carpet yarn manufacturing business bought three years ago.

Carpets International's: Kosset, Heritage, Crossley and Giltedged brands are strong with independent retailers and major department stores, while Weavercraft's anonymous products are well-established among the major chains' own brand lines and in the contract business.

Both the domestic and commercial market sectors are showing signs of renewed strength, or at least an uncommon measure of stability.

Domestic sales traditionally keep step with building society lendings on new homes, and so rose in line when home advances rose 14 per cent in 1983. Last year the market held the gains and the carpet industry is looking forward to a modest increase for 1985.

The recent burst of spending in the commercial sector has been a further boost. The revolution in retail shopping refurbishment of pubs, the entry of major company names into the leisure market and the tourism boom are all feeding welcome new business.

One City expert said that the environment was now better than it had been for 10 years. Even the U.S. industry, once a major competitor, might be tempted back in.





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NOTICE TO BONDHOLDERS OF

### TAKEDA RIKEN CO., LTD.
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2. The above-mentioned Bonds will remain listed on the Luxembourg Stock Exchange under the Company's previous name but followed by the new name. Each new notice to Bondholders will contain both names.

3. The Bonds will not be stamped or exchanged for new Bonds.

4. A complementary legal notice as well as the amendments on the statutory documents have been lodged in Luxembourg.

TAKEDA RIKEN CO., LTD.
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as Trustee

Dated: September 18, 1985

NOTICE OF INTEREST RATE

To the Holders of

### International Bank for Reconstruction and Development

Undated U.S. Dollar Floating Rate Notes of 1985

In accordance with the provisions of the Notes, notice is hereby given that the above Notes will bear interest for the period from September 15, 1985 to and including December 14, 1985 at a rate per annum of 7.8[illegible]% payable on December 15, 1985 in the amount of $198.84 in respect of each $10,000 principal amount of Notes and $4,[illegible] in respect of each $250,000 principal amount of Notes.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, Fiscal Agent

Dated: September 18, 1985



Television/Christopher Dunkley

# The why of warfare

The state of world television, at least as illustrated by Europe's leading television festival, was summed up for me last Wednesday morning as we sat in the Citta della Musei at the top of the hill on which the old city of Cagliari is built, watching an Australian drama, *Displaced Persons*, set in a refugee quarantine station in 1945. "Tadeusz's family was wiped out in the first blitzkrieg on Warsaw" says Krystyna. "But we went on, going about our business, pretending the thugs carrying clubs and whips did not mean it when they paraded down the street calling out 'Jews, where are the Jews to kill?'" Krystyna speaks in Polish and we know what she is saying thanks to subtitles, but at the end of her long, impassioned speech the Australian doctor in the drama says "I'm sorry, I don't understand."

In the silence following that bleak exchange the commentary from the programme in the next-door viewing gallery was clearly audible. One of those deep, authoritative male voices, so familiar from American documentaries (Peter Jennings, as I later learned, presenting the ABC news special *The Fire Unleashed*) was saying: "Most of us are very concerned about the nuclear arms race between the superpowers, but we are fast approaching another critical juncture. More and more countries, often in very unstable regions, now have the capability to make their own nuclear weapons, and if you can make them you can certainly use them."

The Australian drama was not a bad piece of work, though not as good as you might hope from a country supposedly the home of one of the world's most impressive young movie industries, and the soundtrack battle was not — quite — annoying enough to drive me away. Yet at that point I wandered out to the festival bar in the scorching Sardinian sunlight to drink one more tiny but wickedly powerful espresso coffee.

It can be dispiriting to return to this festival year by year with the express purpose of seeing what programme-makers in other countries consider to be their best work and to discover that, as we move further and further away from 1945 and humankind's last horrific global conflagration, more and more attention is paid to it, while there is a simultaneous increase in programmes anticipating a global nuclear holocaust. One wonders gloomily whether the day will come when the entire Prix Italia will be devoted to programmes looking back to World War 2 and forward to World War 3.

Of course it is not unworthy, let alone wrong, for television to be dealing with such matters. We all know that the bulk of television, in the West at any rate, is devoted to mindless escapist nonsense such as *Dallas* and *Dynasty* or *Dempsey and Makepeace*, the sort of programmes which nobody would dream of entering for this festival, thank goodness. To that extent the Prix Italia is admirably unrepresentative. It seems not only right but vital for television to spread the fearful message about nuclear proliferation and its risks.

The perpetual harping on the last world war is more questionable, yet when you consider the tone of today's programmes and compare them to World War 2 programmes 15 years ago a reason does suggest itself. Today's programmes seem less concerned with the fighting of the war than with how it ever occurred, and in particular how the Nazis came to behave in the way they did. If the old television symbol of World War 2 was a handsome young actor with a Sten gun charging up a beach in 1945, today's symbol is a middle aged actor playing a quiet German civil servant acceding to increasingly racist laws for the sake of a quiet life in 1935.

Material of this sort was entered in the drama category by Canada (*Charlie Grant's War*, about a sub-Wallenburg figure in Vienna) and Austria (*A Woman's Pale Blue Handwriting*, a subtle and powerful adaptation of a work by Franz Werfel, also set in Austria in the 1930s.) The reason, I would guess, for this shift from the battlefield in wartime to the home front before the war is that the generation of 40-year-olds now producing television programmes does not remember the war, and is less interested in examining how it happened than why. This applies as much to German and Austrian television companies as to British, American or Canadian.

The other striking fact about the drama entries this year is that the retreat into the past and the reassuring certainties of costume drama which has been so evident in Britain appears to be an international phenomenon. Wherever you go in the world today it seems there is only one thing that pleases a drama producer more than an excuse to hire a vintage motor car and that is an excuse to hire half a dozen plus a vintage ambulance and a vintage fire engine. Marcel waves are everywhere, from Austria to Australia, and the Cagliari viewing rooms echoed perpetually to 1930s jazz because '30s jazz not only says "decadence," it says "pre-war decadence."

Britain's ITV gave us another dose of World War 2 in John Osborne's biographical account of an English boyhood, *A Better Class of Person*, with vintage cars everywhere of course. Spain went back to 1936 and the Civil War for *The King and the Queen*, quite a strong Lady Chatterley-type theme with whole strings of vintage motor cars, and naturally the Canadian and Austrian entries described above were littered with vintage cars, Austria going so far as to hire two vintage taxis whose only point was not to move. Perhaps we should all invest in firms specialising in vintage car hire.

After eight or nine hours of television every day for six consecutive days, do any programmes live in the memory? Certainly they do, and several have already been shown in Britain. *Beyond Sorrow, Beyond Pain*, shown already by BBC2, is an absorbing and agonising account of Agneta Elers-Jarleman's five-year battle with hospital authorities and herself to deal with the appalling effects —brain damage and blindness —of a car accident upon her lover, Jean. Its unique quality stems from the fact that Agneta Elers-Jarleman directed the programme herself, so that all the old difficulties about manipulation and exploitation ought to dissolve, yet actually they emerge more strongly than ever.

"Beyond Sorrow, Beyond Pain" from Sweden

Not, however, as strongly as in France's documentary, *Carol, Drugs and Her Parents*, which adopts a high-flown tone of scientific inquiry to present a slice of salacious through-the-keyhole journalism. Chiefly this told us what happens when a television company intrudes into people's lives, as did ITV's documentary contender *Yanks Meet Reds*. Rightly neither programme reached the shortlist.

Christopher Nupen's long and conventional biography *Jean Sibelius*, which has already been shown on Channel 4, is memorable for Nupen's striking pictures of the orchestra against black backgrounds, especially the trumpets, and for his astonishingly repetitive shots of evergreen forests. It began to feel as though the front money must have been put up by the Finnish Timber Trades Federation.

Four dramas which have not been seen in Britain but which would form an impressive foreign quartet for BBC2 or Channel 4 also stay in the mind. *Silent Poison* is a West German thriller about an unsophisticated photographer who thinks he discovers dark deeds behind a factory explosion. Tightly directed, it has the virtue of being set in the present. The same is true of Poland's *The Four Seasons* which is a funny work about fecundity, nature's wastefulness, and the inevitability of death—quite an achievement. *The Kidnapping* is a Swiss melodrama set in the Alps, shot in period costume but without vintage cars, only horses. And *Sakuma* is a moving and unusual Japanese story about the relationship between a convict who regularly escapes from prison and his gaoler who finally comes to respect and even love him. It probably has more to say about Japan's present circumstances than is at first apparent.

Every year since 1948 the Italians have organised this event of extraordinary contrasts: Indoors, pain and sorrow and man's inhumanity to man, with a particular emphasis upon war; outside all the glories of Italian life—this year roast suckling pig and *vernaccia* in the shadow of giant hibiscus bushes. It would be comforting to believe that the images in the darkness represented fiction and the *porchetto* and *vernaccia* fact. Comforting but dangerous.

## Donnerstag/Covent Garden

**Max Loppert**

After the long build-up and all the related ballyhoo, the day (in more than one sense) finally came: on Monday the Royal Opera opened its 1985-86 season with the British première of Stockhausen's *Thursday* (sponsored by the John S. Cohen Foundation).

Stockhausen, Karl Wörner has asserted, is "the composer of the whole world"; and *Donnerstag* affords, for good or bad (and it is quite definitely both) a whole world of a theatrical experience. The humble reviewer quakes at the prospect of having to describe, let alone sum up, this great gallimaufry of a music-theatre epic—an epic set off in the foyers by trumpets and then slowly spreading out its sounds and visions across the full expanse of the auditorium which at last, five hours later, sent us reeling into Bow Street while trumpets now solemnly sounded from five stations high above and around the opera house. A few safe introductory facts are therefore in order first.

*Donnerstag*, the first episode of what is intended to form a massive cycle in seven "days" and seven parts called *Licht*, was first given at the Scala, Milan in April 1981; the second, *Samstag*, had already been completed (and last year also given in Milan) before this second-ever shot at *Donnerstag* was finally fired off. Dominic Gill wrote at length on this page about both Milan premières; his word for the first was a "patchwork."

The *mot juste* indeed: for this "opera in three acts, a greeting and a farewell" had in fact been almost entirely assembled from Stockhausen works given an earlier concert existence. The opening act, "Michael's Youth," was first performed in 1979; the second, "Michael's Journey around the Earth" — in essence a concerto for trumpet and orchestra—had come the year before: the larger part (the choral cantata "Festival") of Act 3, "Michael's Homecoming," was done in 1980; and only its final part, "Vision," was new at La Scala, along with the trumpet exordium and envoy.

This would probably not seem such a peculiar, and peculiarly risky, method of building a vast operatic structure if all the component parts were not so notably dissimilar from one another. A thread of narrative, of sorts, is stretched out to bind them together — the fact that the thread is twined in equal lengths of Stockhausen autobiography and private Stockhausen metaphysics gives the package a personal identity of very powerful distinctness, and for many Covent Garden visitors (especially if they be of the proper free-floating temperament), this may well supply coherence enough. For me it did and didn't: the whole thing, in every item stamped also by the characteristic Stockhausen combination of high technical (and technological) sophistication and disarmingly homemade (not to say homely) dramaturgy, is absolutely itself if only because it's quite unlike anything else. But getting it down whole take a hefty gulp.

Michael is the central character variously, sometimes simultaneously personified by tenor (Julian Pike, radiant of voice and manner), trumpeter (the composer's brilliant eldest child Markus), and dancer (Michèle Noiret); he is "the Creator-Angel of the local universe of which our Earth is a tiny part." Act 1, the most obviously autobiographical and simply narrative section, covers, Childhood and Michael's first encounters with the figures of Mother-Eve (soprano/basset-horn-player/dancer) and Father-Lucifer (bass/trombonist/dancer) later to provide the work with its cosmological polar opposites. It also explores the notion of Michael Karlheinz as bringer of "celestial music to humans and human music to the celestial beings" — in one of the most compact and gripping episodes of the evening, he undergoes three Examinations with piano accompaniment (another Stockhausen scion, Majella) on stage.

But as a whole it is spun tenuously on the chordal hum of an electronic background—a long, slow, bare progression. Act 2, the "Journey" concerto, unleashes the most brilliant, stirring musical invention of all, a *tour de force* of diverse styles and brass and wind combinations boldly amalgamated for which the theatrical enactment sets up a naive but curiously satisfying set of visual reference points. But the majestically static choral panels of Act 3—broken once by a delightful insertion of comic surrealism—give way only to the return of tenuousness in the final "vision"; and here the tricks of dramaturgy, which include culling reprises from earlier movements to the accompaniment of slide projections, are at their most gimcrack.

Along the way to this exhausting end, highs have been touched and depths plunged, vistas of breathtaking scale opened and sudden almost touching sillinesses regaled. Each audience-member will seek and find something different; perhaps assessment should stop there.

Michael Bogdanov of the National Theatre undertakes here his first operatic venture, in designs by Maria Bjornson and lighting by Chris Ellis. He has achieved a success of a rather uncomfortable kind: for he has mirrored with quicksilver accuracy the unevenness of the work itself, its inequalities of tone, style, and content. The staging moves from genuine bravura in Act 2—a laddered globe whirling about the trumpeting Michael against a lovely child's-cutout galaxy—to the queasy stolid spectacle, all plastic fronds and hieratic headgear, coloured smoke and flashy engineering, of Act 3; at least it moves fleetly and well.

Too many performers demand praise; only brief mention, then, of the conductor Peter Eötvös, the rich-toned soprano Annetta Meriweather, the slim, compelling Suzanne Stephens on basset-horn, Stockhausen himself sits in mid-stalls, commanding the speakers banked on balcony-stalls level and side-stage; it is in every sense his show.

Alastair Muir

Trumpeter Markus Stockhausen in the whirling globe of Act 2

# The argument for the arts

The Arts Council launched yesterday its great campaign to persuade the Government to provide more money for the arts. It is seeking a grant of £161m for 1986-87 compared with the £106m it received in subsidy for 1985-86, and to justify its case it has produced a brightly illustrated booklet entitled "A Great British Success Story," which is, in effect, a prospectus for the arts.

Its appeal attracted an immediate dusty answer from the new minister for the arts, Mr Richard Luce, who in his first speech as minister commented, "I must make it absolutely clear that there is no prospect of my being able to deliver from central government funds the sort of growth which many in the arts are seeking."

The basis of the Arts Council's argument is that a small increase in public funding can produce substantial returns. The arts are worth boosting because they are one of the few activities that the UK excels in; they bring in tourists; they produce jobs cheaply; they stimulate the commercial sector; and they are the hallmark of a civilised nation.

In his introduction to the campaign the chairman of the Arts Council, Sir William Rees Mogg, laid particular emphasis on the arts' ability to produce new jobs cheaply — at an estimated cost of £2,870 each, roughly the same sum as from special employment measures. He also stressed the financial return from the arts—£75m in taxes from the £106m grant to the Arts Council last year.

Although the audiences for the performing arts had risen over the past decade, the number of performances at Arts Council-supported venues had actually declined because, in real terms, the council had received a 6 per cent cut in revenue, compared with the Average Earnings Index, since 1978-79.

The Arts Council has arrived at its £161m figure by starting with the base of £120m which it asked for last year; adding on a modest £6m for inflation; and a further £35m, which is the estimated annual expenditure on the arts by the abolished GLC and the metropolitan councils: the Government has asked the council to step into the breach, but has only promised it £16m to make good the disappearance of the Mets.

It is unfortunate that the Arts Council should appear to be asking for so much more money, but it has made it clear that if it does not receive a substantial sum to finance its administration of the South Bank, and the other 850 arts bodies which received aid from the Mets, it is prepared to identify to the last with the interests of the arts. It is reluctant to disclose its hand before it knows what the Government will offer but, having taken such a public stand, it is unlikely that Sir William has not considered resigning if the 1986-87 grant is inadequate.

In particular the council is worried about the South Bank. The Government has offered it an extra £6m (out of the £16m) to undertake its management but this is a woefully inadequate sum. The Arts Council would be very loathe to be identified with a South Bank in decline, or even closed down on certain days.

By taking this initiative the Arts Council has rallied the arts world, and its clients, who in previous years have criticised it for a lack of fight. It knows that its prospectus is really aimed at just one potential investor, the Prime Minister. It believes she likes to be persuaded by an overwhelming argument, and it considers that "A Great British Success Story" makes an irrefutable case.

**Antony Thorncroft**

## ILEA Schools Symphony Orchestra

**Richard Fairman**

Not so long ago student orchestras from Hull and Leicestershire were giving us performances of works by Havergal Brian which would otherwise have been unplayed. Now the ILEA Schools Symphony Orchestra has also taken an adventurous plunge into the twentieth century. Their first Festival Hall concert for the autumn term on Monday included two works by George Benjamin, himself a mere 25, and, moreover, presented a world premiere.

He must have been delighted with the commission. Knowing the available forces in advance, Benjamin was able to plan on a vast scale. *Jubilation*, the resulting work, is a relatively short, one-movement piece but it includes parts for a recorder group, extra brass and percussion, two choirs, a steel pan ensemble and keyboard synthesisers. Only the knowledge that half the performers would be unable to read music —an arresting thought—can have restricted his invention.

Spatial effects and wide contrasts, as might be expected, play a large part. This is essentially spacious music, unhurried by matters of pulse or forward motion. One sense that Messiaen, one of Benjamin's teachers, is never far away, especially in the ecstatic, *Turangalila*-like climaxes which are the best of the week. Elsewhere a certain shallowness prevails, leaving the work as a pleasing, but comparatively minor, occasional piece.

Not so Benjamin's *Ringed by the flat horizon*, which was also given. This piece has been an important visiting card for him in many international centres and its surer feel for the same techniques—the glittering percussive background, the clouds of orchestral texture—have surely been the key to its success. One may not picture the Mexican thunderstorm that inspired its composition, but nobody could miss the eerie sense of foreboding it creates.

In all of this the young musicians seemed quite at home. Their performance of Musorgsky's *St John's Night on Bare Mountain*, the original version, was not really devilish, but excerpts from Berlioz *Damnation of Faust* and Copland's suite from *The Tender Land*, both showing signs of diligent rehearsal, exhibited more temperament. (Benjamin makes an undemonstrative conductor of other people's music.)



# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Sept 13–19

## Theatre

### LONDON

**Sweet Bird of Youth** (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

**Noises Off** (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

**Starlight Express** (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

**On Your Toes** (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

**42nd Street** (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

**Me and My Girl** (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

**The Government Inspector** (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

**Barnum** (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

**Jumpers** (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

**Richard III** (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

**Pravda** (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

**Breaking the Silence** (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. Ingeniously set in an Imperial railway carriage. (236 5568).

### NEW YORK

**As Is** (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

**I'm Not Rappaport** (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

**Cats** (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

**A Chorus Line** (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

**Sunday in the Park with George** (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

**La Cage aux Folles** (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

### WASHINGTON

**West Side Story** (Opera House): Rex Smith stars in a revival of the durable American classic that translates Romeo and Juliet to a tough but tuneful hispanic New York neighbourhood. Ends Sept 21. Kennedy Center (254 3770).

**Count of Monte Cristo** (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

## Othello/Shaw Theatre

**Martin Hoyle**

Despite the alleged mislaying of 5,000 circulars by the GPO, word has got around sufficiently for a good house to give an enthusiastic reception to the National Youth Theatre's *Othello* on Monday.

Rightly so. The umbrella cliché of "promising," customary in these circumstances, fails to do justice to the achievement of an extraordinarily moving final scene by an Othello, Hakeem Kae-Kazim, who comes into his own with the depiction of grief, vulnerability and the spectacle of a simple man cruelly deceived.

*Pace* the forthcoming Stratford production, here we have a Moor with negroid rather than Leventine features. Edward Wilson's production presents a lyrical, domestic Othello with not much of the warrior about him—though the Nigerian-born Mr Kae-Kazim moves with military dignity in the early scenes and looks impressive in the white tunic of a colonial governor.

Apart from a carelessness with final consonants (Desdemona was apparently addressed as "sweety" at one point) and the odd high-speed gabble of the young actor, he speaks the verse as well as many professionals; and excels at the sheerly touching side of Othello's suffering. This Moor can rage without descending into melodramatic exaggeration; above all, he depicts the pain—and "the pity of it, Iago"—with a directness and a straightforward impact whose cumulative effect is to leave one more harrowed than is often the case with more experienced players.

Lloyd Owen's personable Iago is more at ease on the stage than many of his colleagues, relaxed and confident—he passes the acid test of being able to stand quietly on stage in character, as when he broods in mock embarrassment at Othello's abuse of Desdemona before the Venetian envoy—he presents a splendid framework for a characterisation as yet not provided by the production, apart from a tendency to lapse into King's Road pseudo-cockney at moments of duplicity.

Rachel Bell's *Desdemona* must overcome her self-conscious walk. I preferred her spirited argumentativeness ("It is not lost!" she shouted at her husband of that diabolical handkerchief) to the conventional wilting moments. Jackie Phillips provides a good, positive Emilia, splendidly indignant in the last scene.

On Humphrey Jaeger's set of upright rectangular blocks, DIY wardrobes knocked up by Gordon Craig, against a blue background that darkens into blackness, the production unfolds clearly enough; though the passers-by should not stare stolidly at Iago's furtive polishing-off of the hapless Roderigo. Still, a fine evening for Moor-fanciers.

# TECHNOLOGY

EDITED BY ALAN CANE

## Japan's $100m software boost

**The Sigma project offers Japan's software developers a set of networked 'tools' to boost their efficiency, reports Alan Cane**

Computer software quality remains one of the key hurdles to the rapid eccaptance of information technology in every developed country.

The problem is that software manufacture is still regarded very mucb as an art rather than a science. To counter this tendency and to put computer programming on a more scientific basis, software engineering techniques are being developed in the U.S., Europe and tbo UK. It was seen es one of the key computing disciplines bv the Alvey committee, which reported on the UK end *information* technology in the early 1980s.

In June this yaar, the Jonanese Information Technology Promotion Agency (*IPA*). *signalled* its own interest in improving computer software with the announcement of a $100m schome—the Sigma Pro*ject—to run* from 1985 to 1989.

Announcing the project, Mr Jiro Adachi, IPA president, said its objoctives were:

- To produce software as a manufectured instead of a manually-produced prodnct.
- To transform the seftware industry from a labour-intensive to a knowledge-intensivo industry.

In other words, the Japanese plon to develop the "software factory" where software idoas and concepts are fed in at one end and the lists of computer instructions emerge automatically at the other.

That, however, *is* for tho future. For the present, the Japanese are developing a standard "Integrated Project Support Environment" or IPSE.

This concept is well understood in tho West and most of the bigger software producing companies and organisations already have an IPSE of some sophistication.

Dr David Talbot, director of software ongineering for the UK Alvey Directorate does not believe that the Sigma project is intonded to be especially exciting or advanced. "What is important, bowever, is the clear dotermination shown to make good technology available to a wbolo industry *sector*," be says.

"Tho Japaneso clearly believe, as we do in Alvey, that the provision of better tools and methods, better intograted, is a vital *requirement* if thoir *software* devolopers are to be as productive and competitive as thoir othor industrial workers."

Dr Talbot thinks the project's main targot is the "independont" sector of the Japanese softwaro industry. The big manufacturers and companies like Nippon Tolegraph and Tolophono already use this type of tochnology.

So what is Sigma? It consists of a centre, completa with mainframe computer, o network and a number of user *stations* connected to the centre by tha network.

Common standards run throughout the network. Software developers will have to use a standard oporating system called Sigma OS—the operating *system* being the part of tho computor which carries out all its "bousekeeping" operations.

Tho IPA says: "Users will *provide tho standard softwaro* dovalopment environment supplied by tho Sigma system for their own computers and build up oach onvironment.

"Since users can then use these computers for large portions of the development of softwaro, they do not bave to share Sigmo centre computers for their softwaro developmont."

Who will use Sigma? Anyone *developing software* in Japan, IPA says, estimating that about 10,000 general-purpose computers and workstations will bo connected to *the network. The chief aim is* to help software developers who have poor facilities or are handicapped by geographical location.

Sigma will provide electronic mail bulletin boards, electronic newsletters, file transmission, access to foreign and domestic databases, remote connection to computers not running under the Sigma OS but intended as the target machines for particular pieces of software, trial use of *software development tools* provided by IPA and an information management service.

It is expected to cost $100m from 1985 to 1989 and by the end of the 1986 financial year, a trial run of the basic system is expected.

Significantly, Sigma OS, the basic operating systom for the whole system, will be based on Unix, an operating system devoloped initially at Boll Laboratories and now attracting attention, especially in Europe, as a suitablo system for *networking computers* so each could run separate tasks. It is also seen by European computer companies as a political woapon, e standard operating *systom* which would serve as a bulwark against the power of IBM.

The Sigma Unix will bave Japanese language processing functions, oxtra graphics and image processing cepabilities, multiple screon windows (the ability to carry out different programming tasks in separate areas of the screen) *and* enhanced telecommunications capabilities.

## How IPSE helps keep creativity on track

IMAGINE setting a team of antbors to create a substantial novel. Each is to write only one part, but with tho proviso that all the parts must fit together seamlessly at the end with no failures of logic, no inexplicable changes of characterisation, no "t"s left *uncrossed or "i"s undotted.*

Teams of software writers preparing to *create* a *major* suife of compnter programs havo similar problems, and it is these problems the IPSE sets out to belp solve. The *basic ideo is to use* the computer to provide both technical and administrative support te the project team.

Technically, an IPSE provides software "tools" — special pieces of software which make the job of program creation easier. These can be very *simple* —a screen editor, for example. Other software tools are designed to help oradicate errors in programs or to test the *integrity of programs* by running them to their limits.

The *use of these software* tools in an IPSE can considerably speed tho development and improve quality. of a typical largo program. The *tools supplied by* the Sigma system will be designed to help in the prodnction of business applications, scientific and real time control applications and microprocessor software.

Bnt *just as* important in an IPSE is compnter software which belps in the administration of a software project. In all too many cases, the various members of the team simply do not know what the others are *doing* or what stage their work has reached.

It is important, for example, that all tho different parts of a large software team shonld be *using the* samo definitions and generating the same style and quality of documentation.

The whole team should be using the same database of information so that the various parts of the program mesh properly on completion.

The Sigma team expects the system will benefit users by providing an automated and mechanised *method of software* development. They will also be able to buy and sell programs and information through Sigma.

*Perhaps most important,* the establishment of a standard environment for software creation makes it easier to train software engineers, the software specialist concerned with writing the tools to make program generation easier.

Although IPSEs have been *under development in the* West for some years, there are comparatively few fully-featured systems in operation. Systems Designers of Fleet, Hampshire, for oxample, claimed to have launched the first commercially available IPSE when it released "Perspective" two years ago. Software Sciences has a product, SDS2, which tackles many of the problems

The Alvey programmo in the UK has given a fresh impetus to IPSE development; among those now in the early *stages* are "Eclipse," a joint effort between Learmonth & Burchett Management Systems, CAP, Software Sciences and a number of universities.

## Cardiff academics ready to challenge the sensor market

**Coin validation is only one of the potential uses for a new Welsh sensor system, says Robin Reeves**

THE FRUITS of nearly 10 years' research and development on magnetic field sensors at University College, Cardiff, seem set to mako a significant impact on the rapidly-expanding markets for coin validation systems, magnetic card readers and speed/position5timing sensors.

*Armed with world patents on* key aspects of their system for measuring cbanges in magnetic resistance, staff and researchers at Cardiff's Wolfson Centre in the Department of Electrical Engineering recently formed a *company*, M. R. Sensors, which is now negotiating manufacturing and marketing arrangements with a number of potential backers.

Tha basic sensor consists of a magnetoresistive thin film stripe through which is passed a constant electric current. When placed in o magnetic field it undergoes a change in resistivity (resistance) which can be measured as a change in voltage across the device. The Cardiff team has built up design and manufacture methods for single and multiple sensor systems, and the associated electronic signal processing systems, for a wide range of applications.

M. R. Sensors has already supplied 30,000 magnetic data *heads* for a company making credit card machinery, and has secured a £35,000 grant from the EEC for further development work.

Bnt, says Dr Dennis Smith of Cardiff University Industry Centre *and* M. R. Sensors' Commercial Director, the company now wants to collaborate with one or more leading British electrical engineering groups and *negotiate* financial support to scale up production and marketing of the whole technology.

Market rseearcb bas already *identified* coin calidetion systems as a growth area. The European market is forecast to grow from 200,000 to 450,000 units a year as the electronic coin accepter displaces mechanical devices. But current electronic *systems*—used in ticket machines and drinks dispensers, for example—work by measuring tbe change of inductance in a pair of inductive coils. As a coin falls between them, tho inductance varies according to the character of the passing coin.

The problem is that the inductive unit is prone either to accept dud coins or reject perfectly valid ones unless it is finely tuned.

M. R. Sensors' system, works by measuring the olectromagnetic profiles *of coins*, each *of* which varies uniquoly according to size and metallic composition. It also has tho advantage of taking reedings off different *points on the coin, whereas the* inductance system can only look at the whole coin.

In the M. R. system, the sensors are linked to a microprocessor or *local memory which,* among other features, allows the coin validation machine to be easily programmed to recognise and accept o new coin or a different currency.

Magnetic resistive heads will read off information on a card's magnetic strip whatever the speed *at which it is swiped* through the machine, and they are good for at least one million swipes.

More important, in the Cardiff system, the magnetic reading heads are linked not to an expensive integrated circuit, but to a modestly-priced, off the *shelf microprocessors.*

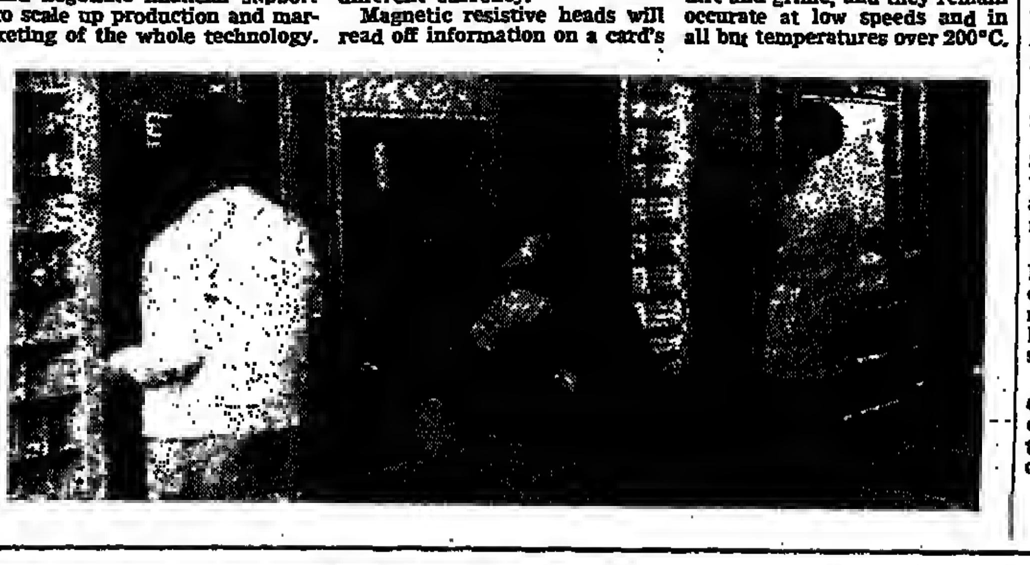
Until now, the main drawback *of magnetic resistive heads* for card reading bas been their inability to read all three magnetic tracks on a card strip—established as the main International manufacturing standard. (The middle track is equipped *to carry 75 bits of information* an inch and tbe upper and lower tracks 210 bits an inch each).

M. R. Sensors stresses that its system also overcomes this drawback in sucb heads. Some further development work is required but it is basically only a question of developing the software for the local memory to decode all tbree tracks.

The third big market M. R. Sensors is investigating is the use of magnetic resistive sensors for position-speed sensing and non-detructive testing.

A sensor placed between a magnot and, say, a rotating cog or shaft, can be used to measure changes *in either* the speed or the position of a moving part.

Other equally accurate *forms* of position-speed sensing are already available, but Cardiff's magnetic resistance devices have particular advantages *in industrial environments.* They are simple to install (they just need to be placed within magnetic field range of a moving part); they are unaffected by dirt and grime, and they remain occurate at low speeds and in all bnt temperatures over 200°C.





## Cutting the cost of induction motor repair

ON-SITE replacement of the fixed — stator — winding of induction motors is possible using a motor construction principle called LCM (loose core motor) developed by Prime Technology (GB) of Hayes, *Middlesex.*

LCM can, it is claimed, substantially cut the cost of stator replacement in meny applications, but particularly where lorge motors are used in difficult environments like mines. Prime Technology estimates that more thon £4m a year could *be saved in a gold mine* with annual revenue of £120m.

Stater burn-out is the most common cause of electric motor failnre. It means the motor must be uncoupled, disconnected, removed and taken to a specialist rewinding company for repair — a procednre that can tako days or weeks, especially in remote locations.

Meanwhile e spare held in stock on site would be installed, calling for skilled engineers and lifting tackle.

If a loose core motor fails, it remains in place. Only the core and some associated components need be removed, often by one semi-skilled worker using a single tool.

Stator removal and replacement takes minutes — less than 17 minutes in the case of a 37 kW (50 bp) machine recently tested by the Mining Research and Development Establishment.

IF engines are converted to loose core, it follows that users can *reduce their stocks of spare* motors considerably and instead hold more manageable stocks of spare loose core motor stators.

Most existing standard motors can be converted to loose core construction for little more than the cost of a rewind. More on 01-561 5055.

GEOFFREY CHARLISH

# MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Japanese manufacturing

## A tough life on the line at Nissan

**Nick Garnett reports from behind the scenes at a car plant near Tokyo**

IN THE plush reception room at Nissan's Oppama car plant near Tokyo a video machine electronically lowers itself to the level of a small wall screen and begins projecting a glossy colour film of the world's fourth biggest vehicle builder.

Accompanied by sultry disco music visitors are regaled not only with the Japanese company's technical competence but the close relationship with its workforce.

"Management and labour have agreed to use more robots," says the American-voiced commentary as production workers come into view eating Sushi in one of Oppama's five canteens, which are festooned in greenery. It is a dream picture of business expertise and workplace harmony to which many western businesses aspire. General Motors which now has a joint manufacturing project in the U.S. with Toyota, is the latest auto maker to see whether Japanese-style organisation can be transferred to the U.S.

The video contrasts starkly with an American film purporting to show Nissan as a ruthless corporation on its home territory, its workforce cowed by an authoritarian system only lightly veneered with worker participation and in which performance and conformity are extracted by fear. This is a picture of Nissan and its 60,000 employees on Japanese soil quite different from the popular perception among western managers about the methods of Japanese corporations.

The U.S. TV film, "We Are Driven," hurt and annoyed Nissan, which dismisses the film's participants as the kind of troublemakers all big companies are saddled with. Yet the company has been suffering labour tensions. Despite the Japanese emphasis on group behaviour, service and discipline and the terrible consequences of falling foul of an employer in a society where employee benefits accrue only after long service, the company has been enmeshed in a three-year battle with its normally tame house union, frequently characterised as an extension of the company's personnel department. This struggle has been over the kind of issues familiar to a western shop steward—line speeds, overtime and technical change.

"The union was tending to butt into company affairs," says Yutaka Kume, Nissan's new president, speaking in the pink executive room near the top of the company's massive office block on Tokyo's Ginza and which is reached by a special lift discreetly hidden on the ground floor by a marble wall. The company has recently regained the initiative on these fronts amid accusations of physical intimidation.

It is not difficult to see where such apparently diametrically opposed portrayals emanate. With a total of 8,000 salaried Nissan employees, including engineering support services, Oppama produces four basic models, including the Bluebird and Stanza, and is organised very much on the same lines as the company's other domestic manufacturing sites. Outwardly it looks like an extremely well run western-style car plant—but this would be very misleading.

Excellent management practices and rigorous attention to detail accompany the strictest quality control and cleanliness. British supervisors at Nissan's new plant at Washington, England, who trained at Oppama, were impressed by the time devoted to studying even the smallest task.

For example, attaching a door handle is examined closely from the point of view of the lineman in relation to the number and ease of arm movements necessary to do the job. All this, however, operates in a cocoon of subtle and severe pressures inextricably linked to Japanese culture, and in which not even quality circles or bonus payments are quite what they seem.

Built in 1962, Oppama has 200 of the 1,600 robots Nissan has installed at its domestic production sites. The plant runs on two shifts, 8 am to 5 pm and 9 pm to 6 am, with workers divided into teams of 10 to 15 under a supervisor (foreman). Apart from a lunch period line workers have two breaks a day of 10 minutes each, during which they sit in clean rest areas stoically silent or chatting quietly among themselves while they sip fruit punch from cardboard cartons. Every so often the manufacturing sounds are punctuated by a female voice on the Tannoy giving details of the next match for the Oppama work's basketball team.

"Just in time" has been raised to a fine art. The trackside bins carry low stocks—perhaps a dozen rear lamp clusters for example—at any one time as a fleet of fork lift trucks with warning hooters ferry parts from the trucks of the plant's many component suppliers.

Quality is a religion. On the line producing the updated Bluebird, a man from the engineering department stands

Yutaka Kume: has taken action to prevent the union "butting into company affairs"

quietly, carefully watching the application of bonding on a new style windshield. In the body shop a Stanza emerges with a dent in the roof. "Big trouble here," says Hikozon Shibata, a 50-year-old supervisor (foreman) as everyone peers at the sunken metal. Cleanliness is astonishing. Even the trackside dustbins have bin liners.

Self discipline and peer group pressure to be at the right place at the right time is very strong in Japanese society but imposed discipline at Oppama is also very firm. "Workers have to be ready at their work stations at 8 am sharp," says Takehiko Satake, advisory manager in administration.

Anyone late for work has to report to the foreman. Unwarranted lateness for work can lead to a block on promotion and the likely transfer to another department. "In that way he will save face, no one will know," says Satake.

But many practices at Oppama are culturally foreign and perhaps distressing to a European or North American car worker. The principal tools for fashioning human behaviour at Nissan are far more complex and meticulously designed than is imagined by most western companies that attempt to draw lessons from Japanese manufacturing techniques.

The operation of quality circles, use of so-called bonus payments, temporary workers and outside contract labour, selection of employees and attention to training have all been carefully geared to generate build reliability and favourable production costs. At Oppama, however, with a production capacity of 40,000 cars a month, it is often difficult to pinpoint where positive features of human organisation blur into coercion and the deliberate promotion of privileged elites.

Some of these features have a very positive influence. Managers in even the public relations department, with its staff of more than a hundred, spend two months working on the production line when they join the company.

Middle-ranking Nissan executives are subject to training courses throughout their life with the company, some carried out in normal classroom services, others in the aggressive management schools where behaviour is governed by Bushido, the code of the military man. The four-grade pay structure means that a young manager knows he earns the same as a production supervisor—perhaps Y7m to Y8.5m a year (£22,000 to £27,000).

Other aspects of the plant's organisation have a darker side. Up to 500 workers from nearby rice paddies and orange farms are drafted on to Oppama's production lines for periods no shorter than six months. They earn in effect at least a third less than salaried employees working alongside them and are excluded from the company's pension rights, guaranteed lifetime job, and low-cost loans—a cheap labour buffer for the vagaries of demand. They are distinguished from salaried employees by different markings on their hard hats and overalls.

The plant's employment figures also exclude 1,000 workers on contract, maintaining factory buildings, packing kits for export, truck driving and running the canteens. Many of these contract companies have offices within the plant and some, like transport company Yokohama Yuso, are Nissan affiliated businesses but their workers also earn less than salaried employees. The use of contract labour is growing in Japan.

The most common profile of a production worker at Oppama is of a hard, fit single man in his 20s or early 30s. He will probably have attended one of Japan's special engineering-orientated high schools and must have stayed on till 18. A large proportion of them live in six dormitory blocks at Yokosuka and Tokyo, usually in tiny one-room units with communal eating and a dormitory supervisor.

Nissan owns 16,500 such units for its non-married workers throughout the country. They are entitled to live in them for up to six years before moving on to company-owned houses or their own homes bought with the aid of a company loan.

This might be seen as the provision of low cost accommodation for those who could not work at the plant otherwise, the smallest units costing Y600 (less than £2) per month. But it is also close to the concept of barracks life for a well drilled production army. The company becomes all pervasive to these men. Large roof-hung electronic "scoreboards" on the lines give digital readouts on the day's and month's production schedule and how far above or below these targets the line is working.

The production line worker has no escape from this. Even in the canteen films are shown on video, sometimes of a plant sports team, often just of the company itself. "I think this latter subject is not so popular with them," one manager concedes. While Japanese companies have broken new ground in Britain with communal canteens for everyone, at Oppama managers have a canteen reserved just for them. Supervisors are encouraged to act as fathers and cajolers by visiting the homes of line workers who might have what one manager refers to as "mental fatigue."

But it is the use of bonus payments and quality circles which most clearly reflect the way Nissan's social tools have two faces.

The company pays salaried employees, whose total overall income last year averaged Y5.6m (£14,500), lump sum bonuses twice a year. These amount on average to a huge 50 per cent of non-bonus salary.

But they are not really bonuses at all. Only 20 per cent of the total of these payments are related to individual or group performance. Even of this, everyone in effect receives at least a half, giving a possible average bonus variation of Y250,000 (£750) a year. The other 80 per cent is simply paid automatically.

Two lump sum payments help Nissan's employee save — the Japanese have one of the world's highest saving ratios. But bonuses are a method of rewarding salaried employees as against non-salaried temporary labour who do not receive this money and they are also a way of withholding salary. Put the other way it involves employees subsidising the company.

Quality circles are important to Nissan. It has over 4,000 of them, each with about nine employees. Almost all production workers belong to them. According to the company these circles found "solutions" to 22,000 problems in 1983. Maysayuki Saito, Oppama's general manager, says QCs saved the plant Y2.5bn (£8m) last year.

But quality circles are so successful at Nissan that there are considerable pressures on employees to come up with the goods. Each individual or group is expected to devise at least four successful ideas a year. "Leaders" of each circle are shuffled regularly to keep them on the boil and failure to perform adequately brings in section heads and engineers to provide what Saito refers to as the right "atmosphere."

This is backed up by a complex system of ten different grades of rewards between Y500 (£2) to Y200,000 (£600) per idea. But the system is also a form of compulsory overtime designed to extract the maximum number of cost saving ideas. Workers must join the circles which meet between two and four times a month outside company hours but for which only two hours overtime a month is paid. This is certainly deep-rooted worker participation but within a system whose success is partly dependent on the way it is driven.

Those European managers who believe they can transplant Japanese methods perhaps need to remember an old Japanese proverb: "Don't mistake the pointing finger for the moon."

## Business courses

**Fifth annual strategic management society conference**, Barcelona. October 2-5. Fee: Members $375; Non-members $400. Details from Mrs Maria Amelia Salerno, IESE, University of Navarra, Avda. Pearson, 21. 08034 Barcelona. Tel: (93) 203 4653. Telex: 50924 IESB E.

**Working women — paths to power**, London. November 25. Fee: £57 inc VAT. A debate among many top women to discover what actions can be taken to remove obstacle's to women's progress to top management. Details from Wendy Hutton, Institute of Directors Business Centre, 116 Pall Mall, London SW1Y 5ED.

**Recent methods for effective management learning**, Brunel. October 16-18. Fee: £395. Details from the secretary, Management Programme, Brunel University, Uxbridge, Midlesex UB8 3PH. Tel: 0895-56461. Ext. 215.

**Tax Planning for Non-Domiciled Persons**, London, October 29. Fee: ESC Members £128 + £19.20 VAT, Non-Members £150 + £22.50 VAT. Details from Course Secretary, European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: 0572 822711.

**The Data Protection Act Registration Requirements**, London, November 5. Fee £40 + £6 VAT Members, £50 + £7.50 VAT Non Members. Details from Ann Measures, London Chamber of Commerce and Industry, 69 Cannon Street, London EC4N 5AB. Tel: 01-248 4444.

**Practical Payment Systems**, Cambridge, November 25-27, Fee £425. Details from Tracey Johnsten, Employment Relations, 62 Hills Road, Cambridge, CB2 1LA. Tel: 0223 315944.

**Fourth retail banking conference, the economics of financial services**, London. October 16-17. Fee: £529. Details from the Financial Times conference organisation, Fourth retail banking conference, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355. Telex: 27347 FTCONF G.

**Financing overseas defence contracts**, London, October 30. Fee: £201.25. Details from Miss J. K. Van Wycks, Seminar Division, Crown Eagle Communications, Vernon House, Sicilian Avenue, London WC1A 2QT. Tel: 01-242 4111. Telex: 896827 TACS G

**Doing business in France**, London. October 24. Fee: ESC Members: £147.20; non-members £172.50. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, Leicestershire LE15 9PY. Tel: (0572) 822711. Telex: 341352EURCON G.

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# Prospects for arms control

THE NEW round of superpower arms negotiations, which opens in Geneva this week, will be the last before the Reagan-Gorbachev summit in November. If the yardstick is the stalemate which has obtained since these negotiations were launched at the beginning of this year, there can be little ground for optimism now; yet the looming deadline of the November summit is bound to exert pressure on both Washington and Moscow for the kind of movement that might make the summit a political success. The problem likely to inhibit both sides, however, is that the choice may lie between stark opposites: a radical reduction in nuclear weapons, or no agreement at all.

This derives from the unavoidable link between two of the three sub-negotiations: strategic nuclear weapons, and space-based defensive systems. The U.S. Administration maintains that these sub-issues are distinct and independent of one another, because it does not wish to make any concessions on its Strategic Defence Initiative anti-missile research programme. In practice the link is unavoidable, because the Soviet Union will not agree to cuts in offensive nuclear weapons while leaving the U.S. free to deploy, at some future date and on an unpredictable scale, an anti-missile defensive system. If there is to be a deal, it will have to take in both sides of this equation, and include some clear restrictions on America's right to deploy the results of its SDI research.

### Manoeuvre

For domestic political reasons, it is virtually inconceivable that President Reagan can agree to a deal which appears permanently to rule out *any* deployment of an anti-missile defensive system deriving from SDI research, and the Soviet leadership seems to have come to terms with the idea that such a blanket ban is unattainable. President Reagan firmly believes that a strategy based on defence would be, in moral terms, far superior to one based on the threat of massive destruction and mutual vulnerability.

The only question, therefore, is whether the Soviet Union can manoeuvre the U.S. Administration into an arrangement on space-based defences which leaves intact President Reagan's minimum requirement—the ability to claim that SDI remains alive and well in terms of the long-term vision—while satisfying Moscow's minimum requirement—a virtual guarantee that the U.S. will not unilaterally attempt to upset the offence-defence relationship for a long-time to come, if ever.

Negotiating such a delicate balance of interests is bound to be very difficult; it is probably not negotiable unless the Soviet Union offers very deep reductions in offensive nuclear weapons. President Reagan will not spontaneously volunteer any constraints on the testing of SDI research; but the prospect of a dramatic arms control deal might mobilise irresistible pressure from his electorate and his allies.

### Initiatives

In other words, the outcome of this new round of negotiations and the prospects for the summit, are dependent on correctly-calculated initiatives from Moscow. Some reports have suggested that President Reagan may prefer to avert, or even refuse, such a painful bargain; his ostentatious refusal to match the Soviet moratorium on nuclear testing, and his insistence on carrying out another test of the new U.S. anti-satellite weapon, are not encouraging signals. Yet as the November deadline approaches, political pressures will make it difficult for him to appear to be balking at the possibility of a radical arms control deal.

It only remains to be seen whether the Russians are prepared to translate their enticing public rhetoric into firm negotiating proposals in Geneva. They may judge that with Ronald Reagan an acceptable bargain is unattainable: the price, in terms of nuclear weapons reductions, may be too high for the Soviet military to swallow.

But if Mr Gorbachev really wants a deal, his intentions (or the strength of his political power base) should quickly become apparent to the U.S. negotiators in Geneva. Early initiatives by the Soviet Union could quite conceivably open the way to agreement on some elements of a framework deal at the summit, as happened at Vladivostok in 1974; more stone-walling may imply that the negotiation has been deferred—or blocked.

# New rules needed for farm trade

AN INTERESTING political and philosophical ping-pong match has been developing over the last couple of weeks between Australia and the European Community, concerning the thorny question of farm trade, and the allegedly disruptive effects of the EEC's Common Agricultural Policy.

*The issue is hardly new*, and has been an irritant in the EEC's relations with Australia, among other countries, for years. But the debate has been given fresh impetus by the publication earlier this month of a voluminous report on the CAP by a government-funded research body in Australia.

Mr Bob Hawke's Labor Government intends to use its arguments to the full in discussions with EEC *officials* over the coming months. The points it makes may also find an echo in Geneva, where the General Agreement on Tariffs and Trade (Gatt) committee on agriculture is meeting this week.

The study, from the Canberra-based Bureau of Agricultural Economics, *claims that* subsidised farm exports from Europe have depressed world market prices to the extent of costing the Australian economy nearly A$1bn a year. It also seeks to explain how the CAP is a drag on European economies themselves: total transfers *from consumers* and taxpayers to farmers, estimated at between Ecu 57bn and Ecu 73bn a year over the last decade, are much larger than the subsidies handed out directly from the EEC budget which are commonly the focus of public debate.

### Subsidies

As it happens, Mr Frans Andriessen, the EEC's beleaguered farm commissioner, was in Canberra last week, just after the report came out. So it fell to him to leap to the CAP's defence.

Agriculture, he said, remained "the motor of Europe." The EEC's support for agriculture had guaranteed security of supply to consumers, and some protection for its farmers against the vagaries of the world market.

Furthermore, although Australian formers tended to point an accusing finger at Brussels as the source of *all* their ills, virtually all countries provided some kind of support for their farmers — whether in the visible and vulnerable form of export subsidies as in the EEC, or in more subtle ways, such as subsidised access to irrigation water or favourable credit terms.

The common ground on which both the Australian report and Mr Andriessen converge *is this*: most national agricultural policies, and that of the European Community in particular, are adopted for pressing domestic social and political reasons, and are inward-looking.

The fact that such policies can have nasty international side-effects—by insulating individual markets from world trends of supply and demand, by encouraging subsidised disposal of unwanted produce and so forth—is still regarded as secondary.

The Australian report, for instance, is realistic enough to concede that fundamental changes in the CAP will probably not be brought about by external pressures, such as trade *wars* waged by the Americans—although it does suggest that a sharp drop in the U.S. dollar, the currency in which most agricultural trade is denominated and the level of which determines to a large extent the level of EEC export subsidies, could have a greater effect.

Hence the importance of attempts to strengthen the currently scanty trade rules covering agricultural subsidies. The Tokyo Gatt round of the 1970s made only marginal impact in liberalising or disciplining farm trade, and it is the EEC's competitors that *have suffered* as a result. In the absence of rules and with the U.S. sounding increasingly aggressive about agricultural exports, the less powerful countries such as Australia and New Zealand fear being caught in the middle of an all-out trade war.

The only long-term solution is for the community and the U.S. to bite the bullet and cut their farm prices. Any other approach to the disposal of surpluses on the world market will simply attack the symptoms of over-production, not the cause.

In the meantime, the sooner the EEC can make a full-throated commitment to launching *a new round* of Gatt negotiations incorporating agriculture, the better.

Peking leadership conference

# How Deng plans to keep China on the path of reform

By Robert Thomson in Peking

Deng Xiaoping: last of the octogenarian leaders?

IS THERE LIFE after Deng? Aware that at 81, time is against him, the Chinese *leader is working fast to ensure* both his modernisation drive and his overhaul of the Chinese gerontocracy survive long after he departs.

Whereas the great helmsman, Mao Tsetung, favoured the ruthless purge as a means of *ridding the party of opponents* and getting his way, Deng Xiaoping has taken a longer view. For the past five years, he *has* been assiduously planting and cultivating his successors and the successors to his successors. He has been attempting to institutionalise his pragmatism and chart a course for China into the next decade and the next century.

*The low-profile Mr Deng*, who himself came back from a Maoist purge, this week gained much ground with the mass resignation of 131 senior officials. Now he is on the eve of a crucial test of his strength and of the determination within the party to carry on with a reform policy that has compromised Communist ideals.

In the next week, party and provincial officials will meet in Peking for an extraordinary national conference, only the second such conference to be convened since the Communist revolution in 1949. The first was in 1955, when Mao expelled two senior party members accused of conspiring against him. One of *those expelled* committed suicide, the other was never heard of again.

In contrast, the coming conference will see Deng and his confreres laud the departing elderly officials, many of whom have been gathering dust on the party shelf, while several others are uneasy about the reform policy and would pose something of a threat to that policy *if* Mr Deng departed *before they did*.

Those who have resigned will suffer a minimum loss of face, will perhaps be given honorary positions of no real consequence, and retain the perks of power — the car and driver, holidays by the sea, a regular round of banquets, and so forth.

The conference will appoint their replacements, and the political colour of the newcomers will be an important *test of Mr Deng's political* strength and the depth of the Chinese brand of pragmatism that has become known as "Dengism."

To ensure that the leadership will not again be clogged by feeble septuagenarians and octogenarians, age limits have been set for office-bearers. For Ministers the retirement age is 65, and although no official statement has been released, it *is understood* the retirement age for the party's Central Committee will be 68, and for the politburo, 72.

The *conference will* also approve the seventh Five Year Plan, which will provide a guide map for the economy from 1986 to 1990. The plan will be revealed and approved in principle, with the fine detail left to the National People's Congress, the poor Chinese imitation of a parliament. It is expected that the plan will push the "open-door" a little further open and give more rein to market forces.

Statements will probably be made on the need to upgrade three key areas:

● *Transport*. The transport infrastructure cannot cope with the new demands placed on it. Trains are overburdened, good roads are few and far between, and for every ship in port, there are four waiting off shore.

● *Energy*. Industrial power blackouts are a weekly event, while some major factories are closed for days and weeks because of power shortages. The emphasis is likely to be on improving the efficiency of thermal power stations.

● Resources. Increasing the efficiency of resource exploitation, which is badly in need of development.

There has been speculation that the plan will allow state-owned factories to sell shares to workers and increase labour mobility by enabling more talented workers to transfer to more *challenging jobs. Officials* at the People's Bank of China have indicated that foreign participation in the Chinese economy will be increased, and China will be more active on international finance markets.

Even though China is paying a high price for the reforms—with rampant corruption and an overheated economy both serious problems—the Chinese leader and his fellow pragmatists believe they are getting value for money, and are not for turning.

Mr Deng has done the groundwork for the conference. In the last year, he has overseen 26 changes in provincial leadership, and, in the last three months, 13 central government Ministers have been replaced. The 131 resignations this week add to the growing tally.

The Communist party boss, Hu Yaobang, who occasionally refers to the leadership's "senility problem," revealed this month that 1.1m elderly office-bearers have retired in the past three years. Change has pushed the average age of provincial leaders down from 57 to 53. It is claimed that 60 per cent of the new leaders have had higher education, well above the party average—10 per cent of the party's 40m members are illiterate and more than 40 per cent *did* not *make it* past primary school.

As well, 1,000 young technocrats have been selected for a leadership "short-list." They are, as the Chinese news agency, Xinhua, put it, "waiting in the wings." The chosen 1,000 are said to have the right stuff—"more revolutionary, young, well-educated and professionally competent."

The manoeuvring is all part of the Deng strategy to line up the next two generations of leaders. Mr Deng could not wait the two years for the next scheduled national party meeting to make the necessary personnel changes in the upper echelon. He is determined to formalise a regular procedure for the replacement of officials, and the best opportunity for his vision to be realised is while he is in firm control of the party.

Deng, who officially went into semi-retirement in 1980, sits atop the Chinese political structure. He retains a post as chairman of the Central Military Commission, though that position is not a measure of his influence. What Deng says goes. As Hu Yaobang recently observed: "It is sufficient for him to say one sentence but we have to say five."

Mr Hu hoped his leader would stay on for as long as possible because "he is more experienced than we." "Of course, all people are subject to the law of nature."

The diminutive Mr Deng sits as one of six members of the Politburo standing committee, the power elite, which is a level above the 25-member Politburo. Those 25 members graduate from the party's 210-member *Central Committee*.

Most significant in the 131 resignations this week are the ten from the Politburo. They included five leaders in the 80s, three in their 70s, and two in their late 60s. Among them was Marshal Ye Jianying, 88, formerly a symbol of internal opposition to Deng and now a symbol of the military's declining political power.

Standing above the Politburo candidates is Hu Ili, 55, who was labelled a "traitor" and a "scab" during the Cultural Revolution, but is now regarded as almost certain to replace the party boss, Hu Yaobang, in coming years. Mr Hu, the younger, has been prominent in receiving visiting foreign dignitaries, generally a good sign of who is in favour and who is not.

Also considered to be as good as in the Politburo is Mr Li Peng, 57, presently a vice-premier and tipped to eventually take over as premier from Zhao Ziyang. The Soviet-trained Mr Li, a protege of the late premier Chou Enlai, recently travelled to the U.S. and signed the just-completed Sino-U.S. nuclear co-operation agreement.

If either Hu Ili or Li Peng was not promoted at the conference, it would be a sign that all is not what it seems in China's corridors of power and Mr Deng does not have the taken-for-granted very tight grip on the party.

Up and comers thought likely to graduate to the Politburo are Tian Jiyun, 55, who was responsible for the implementation of price reform policies, and Wang Zhaoguo, 43, who was "discovered" four years ago by Mr Deng during a tour of provincial factories. *And the new* head of the People's Bank of China, Chen Muhua, is also highly rated, although, at 63, her age will work against her.

If the conference is as well orchestrated as the mass resignation, with its joint letters of retirement complete with self-effacing statements bearing the trademarks of Deng Xiaoping, then the replacements have already been chosen and the conference's closing speeches are in rehearsal.

Nevertheless, there have been hints that the conference will dabble in democracy for the Central Committee appointments, with delegates given a limited choice of candidates *rather than being presented* with a fait accompli. Having done much party stacking, Mr Deng would appear to have little to lose in a vote.

What was striking about the mass resignation was the way the military lost out in the Politburo shake-up, continuing its decline as a political power. An interesting twist was that although five octogenarians were among the ten to resign from the politburo, five octogenarians remain, showing that not all have heeded the call for the elderly to step aside.

Nevertheless, the event was the end of the road for several Long March veterans, and a Great Leap Forward for Dengism.

## A BOOST FROM THE WORLD BANK

DENG Xiaopong's reformist measures, which will be significantly reinforced by *the Chinese leadership* changes, received an important boost earlier this year from the World Bank. In a confidential report on the Chinese economy, the Bank endorsed many of the changes introduced by the leadership and called for further reforms.

The five-volume report — the most comprehensive of its kind ever undertaken — *calls* for:

● Greater autonomy for peasant households and enterprises, more lively competition and promotion of collective and individual enterprises to complement the state sector. Enterprises, *said the report, must be faced* with rational prices, freedom of choice and competition.

● Strengthening the state's ability to direct the future course of the economy. More limited use of direct controls and much expanded use of indirect controls was advocated.

The report warns, however, that an enlarged role for the markets in China could cause *hardship through bankruptcy*, dismissal of workers, unemployment and the poor and backward being left behind in the development process.

"Increasingly," says the report, "there will be tensions between concern for greater *efficiency and dynamism* and concern about fairness and the very poor." These tensions could become very great, warns the World Bank.

To avoid this happening, the report advocates a gradual advance, with experimentation and evaluation at every step. Experience in Eastern Europe, where economic reforms have often fallen foul of ideological dogma, suggests the *importance of moving* steadily.

The report says it is vital not to lose some of the strengths of the present system in introducing reform—namely its capacity to mobilise resources and help the *poor*. In *addition*, the World Bank says China must strike the correct balance between state and market regulation to achieve rapid and efficient growth. Fewer still, it adds, have managed to avoid intolerable poverty among substantial segments of the population.

The report concludes, however, that China's long-term objective of significantly *increased* production through greater efficiency seems attainable in principle and, if recent experience is any guide, in practice.

## Men and Matters

### Transport union chooses Morris

The election of Bill Morris to the number two post in the Transport and General Workers' Union, Britain's biggest trade union, is a boost for black Britishers, and for Labour leader Neil Kinnock who is anxious to see more black people taking an active part in party and union affairs.

Jamaican-born Morris, aged 46, is an articulate and able trade union official who has risen rapidly through the union's executive ranks.

He cut his teeth on the shop floor at engineers Hardy Spicer, Birmingham; was appointed district officer for the union in Nottingham in 1973, and moved to the same job in Northampton three years later. Since 1979 he has been national bus secretary for the union.

Morris's new job will almost certainly lead to a seat on Labour's national executive, where he will prove an influential ally for Kinnock in his opposition to the setting-up of black sections within the party.

The recent Handsworth riots have reminded Morris of problems he might face in his new high profile career. He went to Handsworth technical college and his mother still lives in the area—just half a mile from the riots scene. He visited her last weekend "to make sure she was all right."

A family man with two grown-up sons he is mercifully free from the affliction of deadening "union speak."

His appointment as the union's deputy general secretary should aid the union's new leader Ron Todd in his avowed intention to improve communications with the 1.5m members.



"It would have been a nice gesture to ask the Soviet Ambassador to open it"

### Leisure break

*European Ferries* Group has found it hard pounding up to now to make money out of leisure resorts. Its £20m La Manga Club investment in Spain is still losing—although it is expected to break even by the end of this year.

James Lees, aged 46, is the group's new man with the responsibility of finding profit in leisure.

He joined the group earlier this year as md of the Spanish subsidiary running La Manga—a hotel, golf, tennis and beach resort. Since then the previously horrendous half-year loss of £1.3m has been cut to £300,000.

Lees, Cambridge graduate, who later gained business degrees at Cranfield and Harvard, is bounding with confidence that the sort of up-market, high investment in leisure represented by La Manga can pay handsomely. He has spent the last three years involved in resort development at various Mediterranean sites, and is currently helping set up the marketing of La Manga in the U.S.

But his latest assignment for European Ferries is much nearer home. He has been appointed managing director of the Old Course Golf and Country Club at St Andrews, Scotland. The thinking is that this club-hotel will be the British end of a profitable link with the Spanish La Manga resort.

With club memberships ranging from £10,000 entrance fee, plus £650 a year for founders, down to £2,000 plus £165 a year, for international members, golfing at the Old Course club is clearly for the well-heeled.

### Souvenirs

In the present bid fever, when a holding *of* more *than* 5 per cent can release an avalanche of takeover speculation, it is refreshing to come across one company that has entirely the reverse problem.

Tottenham Hotspur, one of the country's top football clubs, became the first club to go public with a full listing two years ago.

The move was hailed then as an astute piece of play. But it has now brought its own problems.

Fans flocked to buy the Spurs shares at the 100p issue price in the minimum subscription block of 100—and many then sold them off (sometimes singly) as mementoes to hang on the bedroom wall beside pictures of such heroes as Ossie Ardiles and Glen Hoddle.

Author Hunter Davies, also a Spurs fan, revealed recently that he has a framed certificate for 100 shares hanging in his bathroom.

The problem now facing the club is that these shareholdings — on latest estimates 3,000 shareholders each own between one and 100 shares—are unlikely ever to be traded on the market.

Pity also the Spurs administrative staff. For the last interim dividend of 1.5p they had to despatch some 2,000 cheques for that sum to holders of single shares.

Each cheque cost the club 20p to process and post.

The only comforting angle for Spurs in this tangle of high finance is that for the foreseeable future the club can claim to be virtually bid-proof.

### Lord's test

A painting of Ken Livingstone, controversial leader of the Greater London Council, must rank as the most bizarre item among the souvenirs of Viscount Davidson, the Tory peer whose appointment as a Government Whip in the Lords was announced yesterday.

It was presented to him by Lord "Bertie" Denham, Government Chief Whip, to commemorate the remarkable loyalty and staying power that Davidson showed during the protracted debates on the Bill to abolish the GLC and the six metropolitan county authorities.

Davidson marched faithfully through the Government lobby in every one of the dozens of divisions on the Bill. Now his job will be to instil the same sense of discipline in more wayward peers.

### Strong scents

An advertisement in my local chemist's window for "Poison" caused a momentary slackening of the jaw.

On inquiry it emerged that "Poison" is the name of a new perfume sold under the Christian Dior banner.

My infallible source of information on these female interests says that the new scent is not only "sensational" but is apparently as memorable as "Obsession" — which is "slaughtering them in America."

We seem to have travelled far since "Lily of the Valley."

**Observer**

U.S. LENDING TO S. AFRICA

# Red faces and recriminations

By David Lascelles, Banking Correspondent recently in New York

A CONFUSED atmosphere reigns in the executive suites along Wall Street and Park Avenue, where New York hankers ere anxiously trying to justify their apparently sudden decision last month to stop lending to South Africa.

The move precipitated a run on South Africa's financial reserves and in the view of many played just as important e role in the financial crisis triggered by the republic's debt moratorium as President Botha's inability to get to grips with the problems of apartheid and worries ebout the size of its short-term debt.

U.S. banks have been condemned by their more heavily exposed foreign counterparts while embarrassment and recrimination are rife within the U.S. banking community itself.

The row may seem ironic given that since last March — when Morgan Guaranty announced an explicit policy on selective lending to South Africa — all the leading U.S. banks have been refusing to deal with the Pretoria government, and bave restricted their loans to projects that help non-whites. But the rapid escalation of events in August showed just how bedly banks misread the political picture despite the sensitivity of their South African involvement, and how easily they allowed themselves to be panicked — in financial terms there was comparatively little at stake.

The U.S. banks' total exposure to South Africa et the end of March was $4.2bn, about one fifth of South Africa's foreign loans, and a tiny fraction of the $66bn that the nine largest of them have out to Third World countries with payments difficulties. Citibank has the largest South African exposure believed to be $600m-$800m, or less than 0.5 per cent of its assets, and a subsidiary employing 250 people. Few of the other banks even have e branch in Sonth Africa.

"They were very short-sighted," said the chief executive of a European bank whose own large exposure tn the republie gives him cause to feel annoyed. He also termed the U.S. banks' bebaviour as "bad and irresponsible," because it seemed politically motivated.

The U.S. banking community has been long frustrated by the difficulties of doing business with Sonth Africa and with profits ao heavily outweighed by the political difficulties, many now wish they had pulled out long ago. Although there is political mileage to be gained by explaining their position, they are keen not to make on-the-record statements.

Most fingers are pointed at Chase Manhattan whose decision in late July not to participate in a South African company loan is widely credited with having set off the crisis. In fact Mr Willard Butcher, Chase's chairman, and Mr Thomas Labrecque, its president, decided more than e year ago to "manage down" the bank'a exposure to South Africa, and the July incident marked the stepping np of this policy in response to mounting tensions there. (Chase will not comment on its actions.)

Several other banks now claim that they too were being "more selective" in their lending, even to non-controversial customers. Well known domestic pressures are cited: the loss of deposits held by U.S. local authorities, including New York City, and divestment by indignant shareholders. But tha political balance was also swinging. Morgan Guaranty, which normally holds a patrician aloofness to politics, felt forced to adopt a South African policy in order not to be the only major bank without one. Furthermore the banks were alarmed by the way Congress (with the threat of a divestment law) was taking the U.S. political initiative on South Africa from the State Department (whose policy of "constructive engagement" they favoured).

On the other hand, in pure business terms South Africa was an attractive market with good foreign exchange reserves. "Wo could make more money lending to South Africa than, for example, to Sweden, because the spreads were wider. South African business also bas a good repayment record," said the head of a New York bank'a international division.

Though hardened by the traumas of the Third Wnrld debt crisis, bankers also succumbed to the nptimism that tends to colour their reading of the political scene wben business is et stake. "Ynu have to remember that there were signs of improvement this summer. They had extended rights to the coloured community and amended the Immorality Act. We also underestimated bow well the African National Congress was organised," recalled another banker.

The result was that, despite their proclaimed loan policies, many hanks were in reality what one executive described as "fence-sitters." This changed with alarming suddenness after President Bothe's anti-climactic speech on August 15: "That's when everyone started running for the door. And when thet bappens, no one gets out," be said.

Bor if the crisis bas shown up the banks' uncertain political judgments—for which, to be fair, they are not alone—it bas forced them into e more hard-nosed assessment of the prospects for South Africa wbere nothing short of political change can now re-open the market for them.

Assuming that a new timetable on debt repayment can be negotiated to enable the moratorium to be lifted (and most banks think this can be achieved, though the task may be harder than expected) bankers bave begun to list some of the conditions that will have to ba met before they would be willing to start lending again, even for the worthy exceptions listed by President Reagan last week in his order restricting loans to South Africa.

They include:

● The extension of citizenship to hlacks and the ebolition of the pass laws, the prospects for which have already strengthened since the mortorium;

● Freeing Nelson Mandela, tbe ANC leader;

● Broadening the rights of blacks to own property and run businesses;

● Lifting the state of emergency;

● The appointment of an independent commission to investigate allegations of brutality against blacks.

To press for the basic civil right—one man one vote—would not be realistie at this point, bankers believe, and might only make matters worse.

But shaken as they have been by the crisis, U.S. bankers hold ont little hope that South Africa will be abla to placate foreign opinion sufficiently to allow them to resume business in the near future.

"They are an arrogant nation, and if it came to the worst, they could survive without foreign credit for a while," was one bank's comment.

John Gutfreund: a "painful decision"

**"We think of ourselves as apolitical. But financial institutions are particularly vulnerable in this kind of situation." Thus Mr John Gutfreund, chairman of Philbro-Salomon, the U.S. group which includes Salomon *Brothers, the leading Wall Street investment* bank.**

**The political web cast by the South African *crisis has tangled few financial institutions* quite as tightly as Phibro-Salomon. Its decision to cease all dealings with the republic last month was prompted by concerns typical of those facing all U.S. banks: powerful pressures, loss of business on the domestic front, and mounting frustration over the *South Africans' failure to initiate* political change.**

**But at the same time, Phibro-Salomon is *14.5 per cent owned by Minorco, an offshoot* of Anglo-American, South Africa's largest mining company, which presented Mr Gutfreund, chairman of Phibro-Salomon.**

**He describes the decision as "painful," but *says he had little choice* after problems began to accumulate for Phibro-Salomon, notably on the Salomon Brothers side which accounts for the bulk of group earnings and was suffering a noticeable deterioration of business.**

**The investment bank was being cut out of lucrative municipal securities issuing deals, particularly by large cities on the West Coast where feelings about South Africa run strongest: Los Angeles, San Francisco, Oakland and Seattle—even though Salomon *is* one of the leaders in that business. Investment institutions and shareholders were also divesting themselves of Phibro-Salomon stock.**

**The cost to Salomon of Mr Gutfreund's decision will be the loss of what he describes as a "sizeable exporting business" in commodities from South Africa: steel, chrome alloy, gold, coke and coal. There will also *be awkwardness in its relations* with Minorco who still have two directors on the 21-man board.**

***Mr Gutfreund* says his decision to sever links with South Africa "should not be interpreted that I as chairman of a publicly-quoted company am saying who should or should not own our shares."**

Unemployment in the OECD

# Why jobs and pay are inextricably linked

By James Symons

WHEN I began seeking the connection between unemployment and the real wage about five years ago it was fairly generally considered an eccentric, perhaps even tasteless line of inquiry, and certainly doomed to failure by the then accumulated weight of evidence. It may still be tasteless but it is no longer eccentric. The idea seems to bave worked silently through the economics industry, like leaven through the dough. Now even the dogs, or at least some large dogs are barking high real wages.

There ere two reasons for this. First belatedly (for the controversy is at least 50 years old) the connection has begun to be detected in post-war and other data. Second, and more importantly, it has gradnally been recognised that countries with either sensible workforces or sensible wage-setting procedures (Japan, Sweden, Austria, Switzerland) are precisely those countries that manage to control unemployment.

The reason for anticipating a connection between the wage and employment is simply thet the wage is the price of labour to the employer. But other things affect the demand for labour as well. The firm's stock of fixed capital and the state of technology are equally important. And the relationship is e dynamie one. Employment does not follow each small change in the wage: rather it slowly edjusts to the long-run wage level. The researcher's problem is thus a little like trying to detect a single instrument from the full blare of an orchestra.

With a colleague at the Centre for Labour Economics, Andrew Newell, I have recently concluded a large study of 16 OECD economies, 1950-1981.* In all cases we find that employment is strongly responsive to real wages. On average e 1 per cent rise in real wages is associated with a 1 per cent fall in employment. There are, of course, other influences.

We find also that high real interest rates have a negetive effect on employment. But, in contrast to some other schnlars, we find no general support for measures of aggregate demand such as the fiscal deficit.

The real wage does not explain all business cycles. This is not a fatal weakness, however. The underlying long-term rise in unemployment over the last decade in most OECD countries has been superimposed on the business cycle. Whet the real wage can best explain is rapid falls in employment following a real wage explosion. Most countries experienced just such an explosion, for reasons that are not clear (perheps just sentiment), in the lete 1960s to mid-1970s.

How is the wage determined? The equilibrium real wage is that which ensures the amount of lebour demanded by firms is exactly that willingly supplied by workers. It is thus determined by the size of the labour force, the capital stock and the state of technology. But we believe that the observed real wage frequently diverges from this equilibrium level.

Consider an increase in the priee of raw meterials. This will cause inflation in consumer prices but is bound to have a smaller effect on the price received by firms for their value-added. If wage settlements follow consumer prices then the real wage to the firm will rise, and employment fall. In general if the employment level is to remein the same then workers heve to take reductiona in their consumptinn wage when the price of raw materials rises: and similarly for taxes. In tha short run they do not seem to.

If one believes thet the labour market is in equilibrium, one is implicitly asserting that an unemployed worker who genuinely desires work at the prevailing wage can go to employers and offer to work for less, i.e. bid down the wage. But most wages are set intermittently by agreements between firms and employed workers. This means that unemployment does not act instantly to bring the wage to its correct level, but rather has an indirect effect via the bargaining table.

The problem is that the unemployed do not sit at that tehle. Will employed workers take a cut to belp unemployed workers in their own industry? Maybe. Workers wbo might come from another industry? Maybe not.

There is thus e two-way linkage between employment and the wage. Excessive real wages reduce employment. Bur high unemployment, associeted with a weak labour market, eventually drags down pay increases.

Where this second linkage, from high unemployment back into pay moderation, is strong, unemployment will tend to be self-correcting.

Another erucial variable is bow quickly employment responds to wage changes once they have occurred. For example, in tbe U.S. unemployment has only e weak effect on the wage, but, in contrast, employment responds very rapidly to wage changes. This means tha U.S. suffers wben the wage gets off-track, but recovers rapidly when eventually it returns to its correct level. The poor old EEC, bowever, has it bad both ways.

It does not seem that the British real wage is presently way above its equilibrium level despite severe unemployment. Recovery is inbibited by high real interest rates, by the inherent lags in adjustment, and almost certainly by pessimism among employers about future labour merket conditions. In these eircumstances, a fall of the real wage below the market elearing level is obviously desirable: without it, a return to full employment might take some years.

UNEMPLOYMENT PERFORMANCE AND WAGES

| | Change in average unemployment rate (%) 1965=1979 | Responsiveness of the real wage to unemployment (%)† |
|---|---|---|
| Five most successful countries | 0.8 | −1.7 |
| Five least successful countries | 4.7 | −0.2 |
| EEC ........................ | 3.8 | −0.4 |

† The initial response of the real wage to a 1 per cent rise in the unemployment rate.

Source: Newell and Symons, Tables 6 and 8

*Wages and Employment in the OECD Countries, London School of Economics, Centre for Labour Economics, Discussion Paper No. 219.*

*The author is lecturer in economics at University College London and associate member of the Centre for Labour Economics at the LSE.*

## Letters to the Editor

### Actions in the U.S.

*From Mr M. Mihaeloff*

Sir,—Two features are beginning to emerge in the U.S. which should be added to the inputs of Mr Brittan's article of September 12.

The first is the increasing aggressiveness of the Inland Revenue Service towards many of the exemptions enjoyed so far by the U.S. taxpayers. For instance, the IRS scrutinises tax shelters more rigorously. It does not besitate to pnblicly qualify as abusive some of those involving even eminent and powerful members of Congress, with full details in the Press.

The IRS also wants now to tax employees on the health contributions paid by the employers, so far tax free. Likewise the IRS wishes to reduce the percentage of current pre-tax earnings that can go tax-free into retirement schemes.

Thus a squeeze on disposable income and an attempt to reduce tha budget deficit.

It also seems possible thet with the shrinking of the power of the maritime lobby the law forbidding the exportation of Alaska crude could be repealed at last, maybe quite soon.

Exports of crude tn Japan woud rednce the trade deficit with thet country by 30 per cent-50 per cent.

We might thus have at last genuinely lower interest rates brought about by a lower deficit, a more vigorous U.S. economy and a healthier dollar, sooner rather than later.

M. S. Mihaeloff.
*2 East 55 St,*
*New York, NY 10022,*
*U.S.*

### Using the Ecu

*From Mr B. Cassidy MEP*

Sir,—Alexander Nicoll's article about the European currency unit (September 14), was refreshingly positive. It moved discussion of the Ecu from the semi theological "is it a currency or isn't it?" to practical consideration of bow use can be made of it in daily commercial life.

For example, travel agencies dealing with a range of boliday destinations some of whose currencies are unreliable, are using the Ecu to rednce exchange rate uncertainties. Contracts with third world countries associated with the EEC througb tbe LOME Convention can also be drawn up in Ecu. Supplement "S" to the Official Journal of the European Communities gives the rate of exchange of the Ecu against more than 60 such. Your own excellent newspaper pnblishes each day the rate of exchange of the Ecu against 17 world currencies ranging from the Austrian schilling to the Japanese yen.

During the last 12 months of wildly fluctuating exchange rates of the pound sterling against Continental currencies against each other, all have remained remarkably stable against the Ecu. So, shouldn't more companies involved in international trade be reducing their exchange risk by using the European currency unit?

Bryan Cassidy.
*The Stables,*
*White Cliff Gardens,*
*Blandford, Dorset.*

### Electing the chairman

*From the Secretary to the Council, Lloyd's.*

Sir,—I write on behalf of tha council of Lloyd'e to correct the statement by your City Correspondent (September 17) concerning the eligibility of Mr P. N. Miller, the present Lloyd's chairman, for re-election as a working member of the council. Mr Miller has no power "to waive the usual one year sabbatical period before seeking re-election" and Mr Miller has not sought to do so.

The position under the Lloyd's Act 1982 and byelaws made thereunder is that only the council may determine that the chairman, or deputy chairmen, shall be eligible for immediate re-election on expiry of their four-year term of office as working members of the council. In respect of Mr Miller, the council made such a determination at a meeting at which Mr Miller was not present.

Finally, I would point out that the council's determination relates to Mr Miller's eligibility for re-election as a working member of the council. The election of next year's chairman will be a matter to be decided by next year's new council.

Keith Robinson,
*Lime Street, EC3.*

### Heliport on the Thames

*From Mr D. Stebbings*

Sir,—The prospect of a Heliport in Bermondsey, or for that matter anywhere in the populous reaches of the Thames, is something that no town planner, local council or member of parliament should countenance. Helicopter travel is a highly privileged method of travel for the very few who think that the minutes they save by not using train or taxi justify the infliction of unbearable noise throughout the day on the thousands who live or work beneath. It has taken decades to restore the Thames from being a pnblic sewer. That, marginally to benefit a few, it should become an environmental sewer of noisa to plague the thousands who wish to enjoy the river'a many amenities or live within reach of its banks, should not be contemplated.

D. L. Stebbings.
*1, Wapping Pierhead,*
*Wapping High Street, E1.*

### Potential advantages of a trade off between taxes and wages

*From Mr C. Smith*

Sir,—Mr Weir is balf right (September 1) in pointing to my double count of some of the advantages of a substantial VAT cut. He implies the same claim "for a period" on behalf of his preferred IT (income tax) cut. People will have received or negotiated pay rises in anticipation of price rises before these were reversed. But I fear readers can ba expected to make sense of this only if I give (round figure) examples.

Consider people earning £260 a week on which £60 is tax free and £60 goes on tax on the balence. Assume that inflation grows steadily et 5 per cent per annum, and that their pay rises at 5.5 per eent gross to keep pace:

| Month | 1 | 2 | 13 | 14 | 25 | 37 |
|---|---|---|---|---|---|---|
| Prices £ ... | 200 | 200.8 | 210 | 210.9 | 220.5 | 231.5 |
| Pay after IT | 200 | 200 | 210 | 210 | 220.6 | 231.7 |

Now suppose an income tax cut from 30 to 25 per cent, as a trade-off for no pay rises, from month 14:

| | | | | | | |
|---|---|---|---|---|---|---|
| Pay after IT | 200 | 200 | 210 | +220.7 | 220.7 | 220.7 |

Compare the similarly schematic, other-things-being-equal, consequences of cutting VAT from 15 to 7.5 per cent, and halting pay rises, from month 14:

| | | | | | | |
|---|---|---|---|---|---|---|
| Prices £ ... | 200 | 200.8 | 210 | +200.4 | 206 | 205 |
| Pay after IT | 200 | 200 | 210 | 210 | 210 | 210 |

In both cases, purchasing power is increased at plus by about 5 per cent, for neither of us would be foolisb enough, politically, to bring in our pay restraint before our tax cut. The £206 and £205 are guesses — perhaps optimistic, because pay is tending to run ahead of prices, and because pay stability takes nine months to produce price atability.

Prices rise inch by inch, as it were. Pay rises coma annually, a foot or so at a time. Despite this mismatch, it is easier to give a fair deal to all through cutting prices than by cutting income tax. The cost-of-living pay freeze should come after 11 months of gradueted pay restraint, so that other people with the wage structure illustrated would receive eleven twelfths of 5.5 per cent in month 14 or ten twelfths in month 15 etc—bringing their take home pay up to £210 no later than month 24.

In that way everyone has a 5 per cent increase in purchasing power when prices fall by thal amount, and those for whom the gain would be mere or less short-lived have it made up to them by a less or more restrained final cost-of-living rise. These tapered increases to pay, pensions and dole are an investment as well as a compensation. The extra spending power fuels the "more expansionary policy stance"—the lift-off indeed—that Mr Weir and I both seek to promote.

The IT option bas advantages. Less borrowing (or asset selling) would be needed to finance it. Pay restraint could be left to government bargaining power rather than legislation (bnt would the full tax cut always be passed on?). Lower pay costs from month 25 (e continuation of the gross rate payable from month 13) would begin to dent inflation from month 26, so that prices at month 37 would be less than £231.50. But they would not be held (like pay) at the mooth 14 level—which is where the tapered pay rises might place the post VAT-cut month 25 plateau.

And then there is the distributional problem. Not only do people who earn too little to pay tax miss out altogether, those who take home £100 rather than £200 a week presumably get the full wage restraint bnt only part of the tax benefit. And people wbo pay tax on money they beve not earned receive only the benefit.

I bope Mr Weir will agree that it is the non-divisive VAT cut, bringing pay and price stability, that is the more likely to set job expansion and international competitiveness off on a series of virtuous spirals — which would (incidentally) begin to repay the investment of the Government's lost tax.

Christopher W. Smith.
*Tilcocks, The Square,*
*Apsley Guise, Beds.*

FINANCIAL TIMES

Wednesday September 18 1985



# Britain braced for further Soviet reprisals

**By Robert Mauthner in London**

BRITAIN'S Foreign Office and its embassy in Moscow were last night steeling themselves for further reprisals by the Soviet Union following Monday's second round of tit-for-tat expulsions of six Russians from the UK.

The general expectation in London was that the Soviets, who decided last Saturday to deport 25 Britons in retaliation for the 25 Soviet diplomats, journalists and businessmen expelled by the UK two days earlier, would continue to act on a *head-for-head basis* and send home another six Britons.

British officials indicated that, if this were to happen, the Government would continue its strong line.

The officials said a wide choice of actions were open to them if Moscow decided to continue what was described by Mrs Margaret Thatcher, the British Prime Minister, during her current visit to Egypt as its "totally unjustifiable" retaliation.

However, the Government does not foresee that what, at present, looks very much like an endless spiral of mutual reprisals will eventually lead to a break of diplomatic relations between the two countries. Reports to that effect did not reflect the view of British officials.

The officials firmly rejected suggestions that some kind of deal had been reached between Moscow and London under which the expulsions by both sides were being carried out according to a prearranged pattern.

At the same time, they stressed that the Foreign Office was not surprised when Moscow expelled 25 Britons in retaliation for the British deportation of the same number of Soviets, though they admitted that this was at the upper end of the expected scale of reprisals. No one had gone into Thursday's action without a cool appraisal

In making this claim, the officials were contradicting the conventional wisdom that the Russians could normally be expected to respect an unwritten rule of "proportionality," under which reprisals in the form of expulsions were measured in relation to the size of the community in the Soviet Union of the foreign country concerned.

Both Mrs Thatcher in Cairo and the Foreign Office in London have gone out of their way to counter criticism that the Government was ill-advised to expel so many in the first place, whatever the revelations of *Mr Oleg Gordievsky*, who *defected* while head of the KGB operations in Britain.

It has been suggested in some quarters that some of the Soviet journalists expelled from Britain could not, strictly speaking, be described as spies and that their intelligence-gathering act activities were no more than journalists are normally required to undertake as part of their job.

Officials were adamant that this was a totally incorrect assessment and that Sir Geoffrey Howe, the UK Foreign Secretary, who had put so much effort into improving East-West relations, would never have agreed to jeopardise his policies by deciding on the expulsion of "marginal cases."

**Arms talks resume, Page 2; Moscow trade visit hopes, Page 6**

# Largest UK union picks black for key position

**BY HELEN HAGUE, LABOUR STAFF, IN LONDON**

BRITAIN'S largest union has selected a black man as its next deputy general secretary. Mr Bill Morris, who takes the post in the Transport and General Workers' Union (TGWU), is also likely to assume a *leading role within the opposition* Labour Party.

*Mr Morris* is the first black in Britain to rise to prominence in either the trade union or Labour Party hierarchy.

*The deputy general secretary's* post in the union traditionally carries with it a seat on the Labour Party's national executive committee. Mr Morris is likely to take up a place on the committee next year.

Mr Morris is opposed to the establisment of separate black sections within the Labour Party, a stance which allies him with Mr Neil Kinnock, the Labour leader. His accession to the national executive would further boost Mr Kinnock's position on the issue, which will be hotly debated at the party's conference later this month.

Mr Morris – who has held the post of the TGWU's national transport secretary since 1979 – was yesterday selected as deputy general secretary by the union's national executive from a shortlist of nine.

He was not on an original shortlist drawn up by the union's finance and general purposes committee last week. This was overturned by the executive, which decided to interview all candidates.

In the final runoff against Mr Larry Smith, the union's executive officer, Mr Morris won the post on a 20–17 vote.

*Mr Morris said yesterday* "I am naturally delighted that the executive council has placed this degree of confidence in me. As regards my colour, I was not the black candidate, but a candidate who just happens to be black. In that sense the only issue was the responsibility afforded to me which I am privileged to carry out."

He hoped his appointment to the number two post in Britain's largest union would be of benefit to the wider Labour and trade union movement.

It demonstrated "that the system works and that members of ethnic minorities could come forward and take a position of responsibility in trade unions.

Mr Morris, who came to Britain from Jamaica *in 1945, stressed that* his opinions on black sections were his own.

"As of now I shall not be privileged to be articulating my own views. If the executive council chooses a position on black sections *which is contrary to my own*, I shall faithfully carry out that policy.

"I feel it is right that black people should be represented more if we are to claim we are a multiracial society. But I think that black sections do not provide the answer. They lead to divisiveness, and it is a very sterile answer."

**Men and Matters, Page 16**

# New STC chief cuts research budget and squeezes spending

**BY JASON CRISP IN LONDON**

STC, the troubled British telecommunications and electronics group, is planning a 10 per cent reduction in capital expenditure and research and development between 1985 and *1986, saving £30m ($40m). The cuts* are part of a programme aimed at saving £70m devised by lord Keith of Castleacre, acting chairman and chief executive.

Lord Keith told his fellow directors in a memorandum: "The group *is facing a serious* profit and cash flow crisis. It is, therefore, essential that urgent action is taken to reduce the group's cost base. There is ample evidence that STC has become accustomed to the luxury of a 'high cost' structure. That must be corrected without delay."

One of the main justifications for *the group's widely criticised* £168m rights issue in February was to maintain capital and R & D expenditure.

Lord Keith, who is running STC only until a permanent successor is named, was appointed in August when Sir Kenneth Corfield, the previous chief executive, stepped down *following* a sharp fall in profits.

Lord Keith, who is a former chairman of the Rolls-Royce aero-engine company, is conducting a review of all STC's activities. Shortly after he took over, the company announced it would *omit payment* of the interim dividend after announcing an attributable loss of £8.7m in the six months to June 30.

*His memorandum* details a number of economies in small but highly visible areas. These include the prohibition of first class travel, no funding for Christmas or departmental parties and the withdrawal of private telephone lines. The *autumn management conference* at a luxurious hotel with a highly-regarded restaurant has been cancelled.

Chairmen and managing directors of the group's operating divisions have been told to reduce costs by 2.5 per cent, which would give an approximate saving of £20m a year. Lord Keith also expects to cut headquarters costs by £5m. The memo *adds: "External consultants* are to examine compensation and benefits policy, with a target reduction of 2 per cent of compensation, i.e. £15m per annum."

At last week's extraordinary general meeting in London Lord Keith told shareholders that the company had asked outside consultants Towers, Perrin, Forster & Crosby to review salaries.

Consultants are on Lord Keith's list for *areas of expenditure* which STC must "remove entirely, or at least dramatically reduce." Yet at the meeting he announced four consultancy appointments. In addition to Towers Perrin, accountants Peat Marwick Mitchell are helping ident*ify the company's core businesses*, Arthur D. Little, a U.S. consultancy, is examining its component business and company auditors Arthur Andersen are looking at cash management procedures.

Other areas where Lord Keith hopes expenses will be reduced or eliminated include: business entertaining, canteen subsidies, cars and chauffeurs, company-run garages, *corporate advertising* and public relations, house newspapers and magazines.

# IBM and Nixdorf win orders

**Continued from Page 1**

data processing contracts but said that 12 companies sought to supply large computers while Nixdorf had won out over "several" domestic and foreign rivals to supply terminals.

IBM's latest coup caps a somewhat fluctuating relationship with the Bundespost. The U.S. company gained a strong position when it won a contract several years ago to set up the computer network for West Germany's videotex system, *known as Bildschirmtext* (BTX). Relations became cooler in 1983 when the BTX system was behind target but have since recovered.

IBM has long operated plants in West Germany. Its local subsidiary, with more than 27,500 employees, had sales revenue of DM 11.3bn last year.

The Bundespost's data processing plans are part of a wide-ranging effort to modernise the operations of its army of employees, some of whom carry out work that has changed little in decades. With half a million workers on its payroll, the Bundespost is by far the country's biggest employer.

Since taking over as Minister with the change of government three years ago, Herr Schwarz-Schilling has found himself in continual controversy – particularly over the cost of introducing cable television and the poor public response to BTX so far.

He has also been attacked from abroad for failing to open up telecommunications contracts more readily to competition from foreign suppliers.

The latest computer contract reflects IBM's strong worldwide position, but it has still raised some eyebrows in West Germany, even *though it happens* to be balanced by an order for a home-grown company in the form of Nixdorf.

Nixdorf, which went public with an issue of non-voting preference shares last year, has grown rapidly in recent years, with sales revenue up 21 per cent last year at DM 3.27bn. Sales showed a further rise of 21 per cent in the first half of this year.

# Dutch to relax austerity ahead of election

**Continued from Page 1**

sector and combatting high unemployment.

In rolling back the huge public sector (which accounts for two thirds of NNI), the budget deficit was to be slashed from a record high 10.7 per cent in 1983 to 7.4 per cent in 1986.

Over the past three years, government savings have focused on the lavish welfare system, public employees' wages and governmental department budgets – the same areas targeted for 1986. Civil servants are to have their salaries frozen again next year, the fourth consecutive year that their wages have been held steady or cut.

Initial reaction yesterday from public-employee unions was surprisingly mild, and while some fight can be expected, the unions are not expected to stage nationwide strikes as they did in 1983.

The generous social-security system also would be pruned again following cuts that have reduced benefits by around 3 per cent in real terms over the past three years.

All benefits – such as basic welfare and disability payments – are to be frozen, while unemployment and sickness compensation will fall from 75 per cent to 70 per cent of the recipient's normal wage.

*The defence budget* will edge up 1½ per cent to Fl 13.8bn, although outlays for the navy will decline 3 per cent because of cost-overruns this year stemming from two new submarines.

Mr H. Onno Ruding, the Finance Minister, welcomes the modest but apparently durable economic recovery that has accompanied the government's retrenchment policies. Economic growth is expected to rise a little to 2 per cent next year, while inflation is seen falling to 1–1.5 per cent from 2.5 per cent this year.

Unemployment is forecast to stabilise around the current 16 per cent as the number of jobs increases for the second year running. The balance of payments surplus on the current account is expected to fall to Fl 17.5bn from Fl 19bn this year as imports rise.

*The sober Mr Ruding, however*, cautioned that "this still is not a time to celebrate" and urged perseverence with the austerity policies to further narrow the budget deficit

# EEC call on Ford distribution backed by court

**By Paul Cheeseright in Brussels and Kenneth Gooding in London**

THE EUROPEAN Commission's efforts to force car manufacturers to supply customers with the cars they want in any EEC country was reinforced yesterday by a judgment of the European Court of Justice.

The Court ruled that the Commission had acted correctly in refusing to exempt *Ford of Germany's car* distribution system from the Community's competition regulations.

The case sprang from Ford's instruction to its West German dealers in 1982 not to supply right-hand-drive cars to British customers attracted by low pre-tax prices in Germany.

The dispute has been overtaken by events, but Mr Stanley Clinton Davis, the European Commissioner *for transport, claimed the judgment* was of great value because "it will enable the Commission to act quickly to enforce the consumers' right to buy throughout the Community."

Consumer organisations also maintained the court ruling had *strengthened the Commission's* hand. "It should encourage the Commission to continue with court action where there are restraints on buying cars within the Community," said Mr Tony Venables, director of the European Bureau of Con*sumer Unions*.

The impact of the decision has been considerably lessened by regulations which, among other things, insist customers can buy cars anywhere in the Community at the local pre-tax price, without undue *difficulty or delay*. The regulations came into effect in July this year.

Ford, along with the other manufacturers, has been given until October 1 to sign new agreements with its dealers and to come into line.

For various reasons – including careful pricing by Ford of those cars which were particularly attractive to UK buyers – unofficial imports of the company's models from West Germany have waned: from a peak of 5,000 in 1982 to 1,400 the following year, 400 in 1984 and 104 in the first half of 1985.

Mr Clinton Davis said yesterday the Commission was still receiving hundreds of complaints from consumers about various manufacturers' dealers refusing to supply cars, about delivery delays and about being *quoted prices* well above recommended prices.

"Most letters are from British consumers, denied what they feel they are entitled to," he said. All complaints are being investigated.

The UK Consumers' Association *maintained last night* that *during* the next few months "we shall be carrying out thorough surveys of what sort of deals consumers are getting in the various Community countries. Wa will not hesitate to present the Commission with evidence of manufacturers refusing to supply or putting other obstacles in the way of motorists looking for a good deal."

Ford said it could not comment on the case because it still had to receive the full judgment.

**Talbot loss increases, Page 11**

# Hernu 'link' in Greenpeace sabotage

**Continued from Page 1**

The Prime Minister's office reacted swiftly yesterday by reiterating *M Fabius'* pledge that judicial action would be immediately taken against any French citizen who had committed a crime. The Defence Ministry said all steps would be taken to find the truth.

In a further twist, Le Canard Enchaîné *claimed the third squad of* agents went to New Zealand but did not actually complete the task of blowing up the Rainbow Warrior. Instead, foreign agents, most probably British, blew up the ship

## THE LEX COLUMN

# A nugget or two from ConsGold

The *dark clouds which have been* gathering over Consolidated Gold Field's share price were broken yesterday by a set of glittering results for the year to June 1985. Despite a small drop in the South African contribution, pre-tax profits were up nearly 10 per cent at £115m, and the shares rose 15p to 440p.

Even though metals prices are depressed, Gold Fields is determined to revert to being a pure extraction company and to continue investing heavily in exploration and *development of new mines. Like* Japanese semiconductor manufacturers, Gold Fields' idea is to throw money at the business during a recession so as to be able to take advantage of an upswing if it ever arrives. Its shorter-term strategy *must now* be to *develop* gold mining outside South Africa – it has interests in several new U.S. sites – and to encourage Newmont to deal with its copper loss.

Inside South Africa, gold mining becomes increasingly profitable as the rand falls, but at the same time *dividend payouts shrink* in Sterling terms. Ideally, Gold Fields needs the rand to stay low, picking up just before the dividends are paid. For the current year, *Gold Fields* could earn enough to put its shares on a p/e of around 10 – which may not seem expensive given its profits growth and 8 per cent yield, but those South African storm clouds are still on the horizon and show no *signs of going away*.

## Coats Patons

As a sort of pocket BAT, Coats Patons has long been celebrated for currency exposure; but only an idle market would really use a well-signposted drop in the sterling value of Australian earnings as an opportunity to wallop the share on the interims. The fact that year-end results will probably translate at U.S. and Australian dollar rates much less favourably then last December's has already played merry hell with assumptions of pre-tax profits above last year's £110m; but a better reason for knocking the shares down 17p to 137p – or right back to their low for the year – is yesterday's *reminder that Coats'* main business really are not very reliable.

On an unchanged U.S. dollar rate compared with June 1984, the contribution from Coats in North America was down 10 per cent. While Coats is losing business to the imports sucked in by last winter's strong dollar, it is worth questioning why Coats is investing in its U.S. die-casting business when customers are *looking to move off*shore; and the fact that the U.S. business is scarcely growing makes pressure on margins particularly damaging.

More discouraging is the evidence that not all is well in the UK market. There are bound to be local difficulties – with, say, children's knitwear or knitting yarn – in such a broad spread of businesses. But the prospect of a re-rating of Coats on its own – as opposed to a bidder's – efforts looks as fanciful as ever.

## Fisons

Only the more rampant bulls should have been dissatisfied with Fison's figures for the six months to *June; pre-tax profits* came in a third higher at £30.1m, supported by a picture of solid improvement in nearly all parts of the business. Even the mature group of allergy drugs is putting on volume at a good rate; in the U.S. the growth rate was *50 per cent*, and an unfavourably cool and wet hay-fever season did not prevent 10 per cent growth in Europe.

Nevertheless, a 10p fall in Fisons' share price betrayed both over-optimism in the market ahead of the results and a touch of *anxiety over* the pace of growth that the shares are now looking for. On a very low tax charge – below 25 per cent – Fisons should produce a little over 20p per share of earnings this year; at *350p the multiple* of 17 is well above that accorded Glaxo on a tax charge 10 points higher. Although there is enthusiasm for the new chest drug Nedocromil, that cannot be expected to contribute much to profit before the latter half of 1988; the Nedocromil option is pretty fully discounted. Meanwhile, Intal, horticulture and scientific equipment should keep earnings growing at close to 20 per cent; but that prospect may not be quite enough to move the share price upwards.

## Oil warrants

The disintegration of the old structured system of oil trading – contract cargoes, cartel prices and all – is almost bound to bring increasing volatility in the price; the stability that Opec could not deliver is scarcely going to emerge from the commodity markets.

Anyone with an exposure to the crude price is therefore a potential customer for hedging instruments, such as the warrants which Salomon Brothers is now offering. Like any option product, the warrants wipe out unwanted exposure at a limited cost, while leaving open the possibility of ending up in the money; if oil goes the way of currency and interest rate markets, the *growth of futures volume* is a good augury for warrants.

For Salomon not to end up with an increased exposure on its own oil account, demand for puts and calls will presumably have to balance. Just at present, however, banks wanting to shed some of the oil-risk underlying their shakier loans may be rather more numerous than petro-chemical companies *worried about rising input costs*.



# World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 28 | 82 | Dubrovnik | S | 25 | 77 | Malaga | F | 25 | 77 | Salzburg | C | 16 | 61 |
| Akrotiri | S | 28 | 82 | Faro | F | 25 | 77 | Malta | R | 24 | 75 | Seoul | R | 20 | 68 |
| Algiers | R | 21 | 70 | Florence | S | 28 | 82 | Manila | S | 33 | 91 | Singapore | F | 29 | 84 |
| Amsterdam | C | 17 | 63 | Frankfurt | C | 15 | 59 | Miami | S | 29 | 84 | Stockholm | F | 13 | 55 |
| Athens | S | 27 | 81 | Funchal | F | 25 | 77 | Milan | S | 23 | 73 | Strasbourg | C | 16 | 61 |
| Bahrain | S | 35 | 95 | Geneva | S | 20 | 68 | Moscow | R | 12 | 54 | Sydney | S | 19 | 66 |
| Bangkok | R | 31 | 88 | Gibraltar | S | 21 | 70 | Munich | F | 29 | 84 | Taipei | S | 32 | 90 |
| Barcelona | S | 26 | 79 | Guernsey | C | 16 | 61 | Nairobi | F | 25 | 77 | Tangier | F | 29 | 84 |
| Beirut | S | 28 | 82 | Helsinki | T | 13 | 55 | Naples | S | 28 | 82 | Tehran | — | — | — |
| Belgrade | S | 22 | 72 | H. Kong | F | 31 | 88 | New Delhi | C | 25 | 77 | Tel Aviv | S | 28 | 82 |
| Berlin | F | 17 | 63 | Innsbruck | C | 18 | 64 | New York | S | 25 | 77 | Tenerife | S | 28 | 82 |
| Biarritz | S | 21 | 70 | Inverness | C | 13 | 55 | Nice | S | 25 | 77 | Tokyo | C | 21 | 70 |
| Blackpool | S | 15 | 59 | Istanbul | S | 25 | 77 | Oporto | S | 23 | 73 | Toronto | S | 22 | 72 |
| Bordeaux | S | 22 | 72 | Jersey | C | 16 | 61 | Oslo | S | 14 | 57 | Tunis | F | 23 | 73 |
| Brussels | C | 18 | 64 | Jo'burg | F | 17 | 63 | Paris | C | 18 | 64 | Valencia | S | 27 | 81 |
| Budapest | C | 20 | 68 | Las Palmas | S | 26 | 79 | Prague | C | 15 | 59 | Venice | S | 21 | 70 |
| B. Aires | S | 9 | 48 | Lima | C | 18 | 64 | Reykjavik | C | 7 | 45 | Vienna | C | 16 | 61 |
| Cairo | S | 30 | 86 | Lisbon | C | 21 | 70 | Rio de J'o | S | 25 | 77 | Warsaw | S | 12 | 54 |
| Cape Town | S | 30 | 86 | Locarno | S | 21 | 70 | Rome | S | 28 | 82 | Zurich | S | 19 | 66 |
| Caracas | S | 29 | 84 | London | F | 22 | 72 | | | | | | | | |
| Casablanca | F | 24 | 75 | Los Angeles | C | 31 | 88 | | | | | | | | |
| Copenhagen | C | 14 | 57 | Luxembourg | C | 15 | 59 | | | | | | | | |
| Corfu | S | 27 | 81 | Madrid | S | 24 | 75 | | | | | | | | |
| Dublin | F | 16 | 61 | Majorca | S | 27 | 81 | | | | | | | | |

*Readings at mid-day yesterday.*

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Secretary in Kohl's office defects

**Continued from Page 1**

the ruling coalition. He is the second suspected agent to be discovered close to the FDP, which has been in *government* in various coalitions since 1969. Early in August, Frau Sonja Luneberg, who entered West Germany using a false identify, was a Soviet agent pulled out after the defection to Britain of Mr Oleg Gordievsky, the KGB chief in London.

Federal prosecutors said yesterday that Herr Willner had fled to West Germany from East Germany *in 1960*. He had been a *member of* the Waffen SS during the war and joined the ruling Communist Party in East Germany in 1949 after being released as a prisoner of war by the Russians.

On coming to West Germany, he joined the electronics group, Philips, as a public relations official and then worked as a journalist on the weekly magazine Der Spiegel, before moving to Bonn and the FDP central office in 1965.

Frau Willens worked in the Defence Minister before moving to the Chancellery. The two married in 1974. Although there were fears in *Bonn yesterday that she had access* to sensitive information, newsagency *reports that she had stolen* secrets involving the U.S. Strategic Defence Initiative (SDI) were dismissed as "rubbish" by officials.

Rumours that a secretary in the Chancellor's office was suspected of spying were first reported in late *August*, and *Frau Willner's defection* will come as an unpleasant reminder to the Government that the spy scandal may not yet have run its course.

Herr Zimmermann is due to answer a wide range of questions before the parliamentary interior committee before the end of this *month. Most concern* opposition suspicions that he acted irresponsibly by not *dealing* with Herr Tiedge's difficulties earlier.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday September 18 1985



# French state computer group heading for profit

BY DAVID MARSH IN PARIS

BULL, the French nationalised computer group, said yesterday it aims to move firmly into profit next year after breaking even in 1985, thanks to much-increased productivity and continued financial help from the state.

The company expects to boost turnover this year to FFr 16bn ($1.8bn) from FFr 13.8bn in 1984. This would represent an 16 per cent growth rate – a slight slackening of the 25 per cent increase in turnover in the first half, which was accentuated by Bull's relatively weak showing in the first half of last year.

M Jacques Stern, the chairman, said the company could show a small profit this year. Bull has not given detailed figures, but said it broke even in the first half this year on sales of FFr 7.4bn. This follows a string of losses in recent years which have narrowed from FFr 1.35bn in 1982 to FFr 625m in 1983 and FFr 489m in 1984.

Bull has profited from capital injections from the state of FFr 1bn in both 1984 and 1985. It stands to receive another FFr 1bn under the Government's budgetary plans for 1986. M Francis Lorentz, managing director, said capital aid has enabled the company to reduce financial charges as a percentage of turnover to 4 per cent or less this year, compared with 9 per cent when the company was taken into full state ownership in 1982.

State aid has also allowed Bull to maintain a heavy investment programme, put at FFr 1.5bn this year, taking its total over the last three years to FFr 3.2bn.

Research and development spending this year will total FFr 1.56bn, making a three-year total of FFr 4.2bn, while the company has also sharply increased sums spent on training. M Lorentz said Bull would not be able to maintain investment spending growth rates at the levels of recent years – when investment as a ratio of turnover has risen by about 70 to 30 per cent.

But he pointed out that the company's capital expenditure, at about 0.5 per cent of turnover, was now nearly equal to spending by Japanese computer companies, and above that of its European competitors. The main investment thrust has been geared towards a FFr 220m automated microcomputer plant on the outskirts of the northern city of Lille, which is due to be opened in the first two months of 1986.

Bull has also built a FFr 200m international spare parts centre close to Charles de Gaulle airport north of Paris, which is due to be fully operational early next year, and is spending FFr 400m updating its larger computer factory at Angers, on the Loire.

New orders this year are likely to rise by 15 per cent, with foreign business growing by 28 per cent compared with an 11 per cent rise in France. M Lorentz said business in France had cooled noticeably in the last few months and warned that this year's slowdown in information technology sales in the U.S. could cause "shock waves" in Europe next year.

Bull, which has moved to building microcomputers compatible with IBM machines over the past year, expects to sell 30,000 Micral microcomputers in 1985, with demand outstripping forecasts. On the export front, it has profited from educational computer orders from Austria, hopes to win soon a similar contract with Spain and has also been contacted by the Soviet Union in connection with the possible supply of computers to schools there, M Lorentz said.

Bull has been in the forefront of European efforts to harmonise standards and ensure that computers and workstations can be connected to private telephone exchanges for office automation purposes. At the annual Paris computer exhibition, which opens this week, it will be displaying for the first time an electronic message and data transfer system linking computers from Bull, Siemens and ICL.

# Pirelli earnings up sharply in year

By Alan Friedman in Milan

PIRELLI SpA, the Italian holding company which controls 46 per cent of the Pirelli tyre and cable group, last night unveiled a L48bn ($24.9m) net profit for the year ended June 30 – an increase of 46.8 per cent on the 12-month period.

These are the first comparable figures available since Pirelli last year shifted its year-end to June. The Milan-based company did not release turnover figures yesterday, but Pirelli SpA results generally include earnings from transactions on the Milan bourse.

Aside from Pirelli SpA, the group's structure also consists of Société Internationale Pirelli SA in Basle which has another 46 per cent of the group's operating companies in 16 countries, and Pirelli Société Générale SA, also in Switzerland, with the remaining 8 per cent.

Pirelli SpA said in Milan yesterday it would convene a shareholders' meeting for early November to ask for approval for the issue of 78m savings shares designed to increase the company's equity capital from L230.5bn to L292bn. These will be offered on the basis of one new share for every five already held.

The Pirelli SpA dividend is unchanged at L90 an ordinary share and L110 a savings share.

FLOTATION PLANS REVEAL PROFITABILITY OF SECRETIVE U.S. BROKER

# Bear, Stearns opens the books

BY PAUL TAYLOR IN NEW YORK

WALL STREET, just like everyone else, loves unwrapping surprises. So when Bear, Stearns – the 11th largest Wall Street firm and one of the 36 primary dealers in Government securities – disclosed its plans to go public last week after 62 years as a private partnership, its Securities and Exchange Commission (SEC) fillings drew more than passing interest.

As one of the last three large privately owned brokerage partnerships left on Wall Street – Goldman Sachs and Morgan Stanley are the other two – Bear, Stearns' revenues and profits had always been a jealously guarded secret and the subject of much speculation.

Now the numbers are out, and they confirm Bear, Stearns' reputation as a profitable, aggressive, risk-taking and innovative firm which has managed to post healthy earnings even in Wall Street's periodic "famine" periods like fiscal 1984.

They also tend to validate Bear, Stearns' selective approach, leading it to carefully pick specialist market niches – such as arbitrage and the highly profitable clearing business

Even while competition and fast-changing markets were eroding earnings at some of the biggest Wall Street investment houses and sending a few of them into the red, Bear, Stearns was reaping handsome returns. Total revenues increased more than fourfold between 1981 and 1985 to $1.8bn, while net income, after peaking in 1983 at $200m, comfortably topped the $180m mark in both the past two years.

Indeed, the numbers show the firm – which helped pioneer block trading under the leadership of Salim Lewis, one of Wall Street's legendary traders – has produced better than 50 per cent returns on its partners' capital in recent years.

Nevertheless, the numbers do illustrate the volatility of some of the firm's businesses. For example, revenues from principal transactions fell to $61.2m in fiscal 1984 from $192.4m in the previous year only to rebound to $123.5m in the latest fiscal year ending April 30.

But while Bear, Stearns has won plaudits for its apparent continued earnings power, even in such volatile trading periods, the initial public offering of 8m shares underlines a key reality on Wall Street.

As the firm's prospectus itself notes, increased competition from firms with greater capital resources and from "new entrants" to the securities industry like the commercial banks, coupled with the eliminations of fixed minimum commission rates and the adoption of rule 415 (the so-called shelf-registration rule), have made Wall Street a tougher place to make money – and placed a premium on a large and expanding capital base.

Although Bear, Stearns has rapidly increased its partners' equity capital from $100m in 1981 to $350m at the end of April, pushing total capital, including subordinated debt, up to $514m, it is still dwarfed by the giants of Wall Street such as Merrill Lynch, Shearson Lehman Brothers, Dean Witter and E. F. Hutton, which all have total capital exceeding $1bn.

The public flotation – which will result in outsiders holding a 16.7 per cent stake in a newly formed holding company – will raise an estimated $190m in new equity capital, based on a share price of $23.50 a share – roughly twice the company's book value – and push total capital up to almost $700m.

The company also indicated that after the stock offering due next month, it may also raise an extra $100m in capital by selling debt and increase the amount of money it can tap under a revolving credit line with a group of banks.

The price the firm's 96 partners, called managing directors, will be paying for this capital infusion will be to give up the veil of secrecy that has surrounded their operations in the past – together with a slice of equity in the new holding company.

Initially, the partnership will control 75.9 per cent of the new company's 44m shares, or almost 78 per cent including the stake held by other company officers. But, on a fully diluted basis, assuming full conversion of preferred stock and allowing for certain other share transactions, this stake rises to 81.2 per cent. Other employees will hold a 2.1 per cent stake.

But the transition should not prove too painful. Bear Stearns' chief executive, Mr Alan C. Greenburg, known as "Ace" Greenburg, aside from retaining a stake in a new partnership which will be the main subsidiary of the new publicly quoted company, will hold other shares valued at about $11m.

The proposed salary and bonus plan for the new company is generous. Each of the 96 managing directors will receive an annual salary of just $150,000. But they will also share in a $20m "supplementary salary fund" and a bonus plan tied to the firm's profitability.

Perhaps equally important, the public flotation will make the partners' interests in the firm more liquid. It will allow these senior executives relatively easy access to their capital in the new firm, for example, when they retire – by selling their shares – and thereby resolve a problem that continues to dog Wall Street's few remaining private partnership firms.

# Switch of focus behind call to boost U.S. bank capital

BY DAVID LASCELLES, RECENTLY IN NEW YORK

MR PAUL VOLCKER'S proposal in congressional testimony last week that U.S. banks should boost their capital from 6 per cent to 9 per cent of total assets seems, in the face of it, a steep increase, and certainly more than banks in other countries are required to have.

But, while the Fed chairman was pursuing the line now taken by bank supervisors around the world that bank balance sheets must be strengthened, he would not have cited such figures unless he thought banks could achieve them without straining either themselves or the capital markets.

The banks had already been alerted that an increase of this order was being considered by U.S. bank regulators. Mr William Isaac, the chairman of the Federal Deposit Insurance Corp (FDIC) told a conference of international bank supervisors in Rome a year ago he thought 9 per cent was necessary in view of the risks in banking today.

In 1981, the U.S. authorities established a 5 per cent ratio of primary capital to total assets as the minimum. Three years later this was raised to 5.5 per cent. Primary capital consists of equity, perpetual preferred stock, the loan-loss reserve and some minor items, all of which are deemed permanently available to meet loss.

RATIO OF TOTAL CAPITAL TO ASSETS

| June 30 1985 (%) | |
|---|---|
| Bankers Trust | 8.1 |
| Chase Manhattan | 8.8 |
| Chemical Bank | 7.8 |
| Citicorp | 8.2 |
| Manufacturers Hanover | 10.0 |
| J. P. Morgan | 8.5 |
| First Chicago | 7.2 |
| BankAmerica | 6.9 |
| Security Pacific | 7.1 |

Source: Salomon Brothers

Of the leading U.S. banks, all are now above the 5.5 per cent level, except Bank of America whose recent losses forced it into the rare and drastic step of cutting its dividend. (Its ratio stands at 5.2 per cent.)

However, Mr Volcker was careful to state the proposed increase in terms not of primary capital but of total capital – a broader definition which includes other categories of capital, notably dated loan stock, or debt.

With this definition, most U.S. banks are already fairly close to the 9 per cent level, except for Bank of America.

Mr Volcker appears to be switching definition in recognition of the fact that the present state of the capital markets makes it hard for U.S. banks to raise primary capital, particularly equity. Major bank stocks are selling at an average discount of nearly 50 per cent from their net asset value.

So Mr Volcker's prompting may, Wall Street analysts believe, lead to a spate of bank debt issues, rather than to sales of common stock.

The switch of focus from primary to total capital is not altogether flattering for some banks, though. Morgan Guaranty, one of the strongest banks in terms of primary capital, slips well behind other banks in terms of total capital – ironically because it has a lot of equity and little debt. By the same token, though, this gives Morgan plenty of scope to raise more debt.

Mr Volcker's remarks could be a precursor to action by the U.S. banking authorities on another front: to include off-balance sheet business in capital ratios, as other countries are doing. Although such action still seems a long way off, it is beginning to loom in bankers' calculations.

# Texas grants bank licences to Japanese

By Mary Fringe in Dallas

THREE Japanese banks have become the first foreign financial institutions to obtain agency licences in Texas. Sanwa Bank will open an agency in Dallas by the end of the year, and Fuji Bank and Mitsubishi Bank have opted for Houston.

Until the state legislature passed a new banking Act in May, after extensive lobbying, only representative offices of foreign banks were permitted to operate in Texas. Now, although foreign agencies cannot take deposits, they can borrow and lend money within the state, issue letters of credit and deal in foreign exchange.

Of about 70 representative offices of foreign banks in Texas, 27 contributed $2,000 each to a lobbying fund and hired a Houston law firm, Baker & Botts, to represent their interests.

They also enlisted the support of the Houston and Dallas Chambers of Commerce, which saw a possible influx of foreign banks as a boost to the oil depressed Texan economy.

Although several large Texan banks supported the new law and others pledged their neutrality, Dallas-based Republic Bank Corporation – the 18th largest U.S. bank – claimed it gave foreign banks an unfair advantage.

# Management team set to buy Textron

BY ANDREW FISHER IN HANOVER

BRIDGEPORT, the U.S. machine-tool company which is one of the best-known in world markets, looks set to be sold by Textron, its conglomerate parent, to a management team backed by the E. F. Hutton financial company.

Textron said it had signed a letter of intent with E. F. Hutton and a management team including Mr Joe Clancy, president of Bridgeport.

No figures were given in the brief Textron announcement released at the international machine-tools exhibition which opened in Hanover, West Germany, yesterday.

Textron put Bridgeport, which has a major operation in the UK and a plant in Singapore, on the market earlier this year as part of its debt-reduction programme.

Shearson Lehman Brothers is representing Textron in the Bridgeport deal, expected to be completed by the end of this year.

Bridgeport employs around 3,000 people, mostly in Connecticut in the U.S. Nearly 900 people are employed in the UK.

The proposed sales – Textron did not specifically describe the deal as a management buyout – will include all Bridgeport plants.

Mr Jeremy Gough, sales director for Bridgeport's UK operation, which also handles non-U.S. sales apart from South America, said a number of companies had been interested in buying Bridgeport.

More U.S. than non-U.S. companies had made approaches, though these did not include Japanese.

It is understood Hutton has been given six months to put the deal in place. Intermediate deadlines have also been set.

Bridgeport is showing new vertical machining centres at Hanover. The UK company also makes Japanese horizontal machining centres under licence from Yasuda.

# Swiss franc zero stirs interest

THE FIRST issue of zero coupon bonds in the Swiss foreign bond market stirred traders' enthusiasm yesterday, writes Maggie Urry in London.

The deal, for the Commonwealth Bank of Australia, has a face value of SwFr 70m and is being led by SBC.

The seven-year private placement offers investors the same yield as last week's coupon issue from the same borrower. The issue price was set at 70.6, giving a yield to redemption of 5.10 per cent.

The tax treatment of zeros varies from canton to canton, though most investors will have to pay tax at redemption. Swiss investors have bought zero coupon Eurobonds before but this innovation in the Swiss franc market was welcomed yesterday.

The Eurodollar market was feeling anti-climactic after the excitement of Monday's UK floating rate note, which continued to trade around the 99.68 level. Two fixed-rate issues were launched, for Mitsubishi Trust Finance (Asia) and for Mitsui Finance (Asia). Neither are "sushi" bonds (which can be sold to Japanese investors without adding to their foreign bond holdings) and both came at more realistic pricings. However, both were trading only just inside their commissions.

Mitsubishi Trust's was its first Eurobond issue and has an AAA rating, so it proved the more popular of the two. The $100m issue has a 10-year life, pays a 10½ per cent coupon and was priced at 99¾ by Merrill Lynch. Fees are 2 per cent.

The Mitsui Finance issue, guaranteed by Mitsui Bank, is also for $100m, has a five-year life, a 10¼ per cent coupon, a 100⅞ issue price and was led by Mitsui Finance International.

Eurodollar bonds firmed slightly yesterday and the improved tone could encourage new issues. Bidding for sovereign and supranational names was in evidence.

Merrill Lynch is expected to launch a $300m floater for Ireland this morning. It is rumoured to have a 15-year life and to use the mis-match structure.

Banque Paribas won the mandate for a Ecu 175m floater for Crédit National, guaranteed by France, on terms considered tight by traders. The issue is to refinance old debts and the group is designed to include a number of continental European banks.

The 10-year issue was priced at 100.05 and is callable at par after one year. Interest will be paid at ⅟₁₆ per cent above three-month London interbank offered rate and fees are 13 basis points. The bonds were trading just above the 99.94 level where co-managers own them.

Orion Royal Bank launched a C$50m 10-year issue for Ville de Laval, near Montreal. The coupon was set at 11⅛ and issue price at par. The bonds are likely to move slowly and no active trading was seen yesterday.

In the Swiss franc secondary market, prices were unchanged to slightly firmer on average.

Traders in the D-Mark bond market are still awaiting an expected issue for the World Bank. The secondary market was quiet with prices unchanged.

● Mr Ian Schmiegelow, formerly a director of Hambros Bank, has joined First Chicago as a senior vice-president.

International bond service
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# OTC index deals begin

BY ALEX NICOLL IN NEW YORK

THE PHILADELPHIA stock exchange, which pioneered listed currency options, today begins trading the first futures contract to be based on an index of over-the-counter equities.

The exchange has offered options since June on its index, which comprises 100 stocks weighted by capitalisation and is known as the XOC. It is hoping that trading in the two contracts side by side will aid the volume of each.

Stock indices have so far been dominated by listed equities. OTC indices are designed to offer hedging mechanisms, as well as an additional trading vehicle, to investors focusing on the over-the-counter market. The Chicago Board of Trade and the Chicago Mercantile Exchange both plan to introduce OTC contracts soon.

The Philadelphia contract, the first future to be traded on the exchange, will be worth 500 times the value of the index, or $82,000 with the index standing yesterday at about 164. The option already traded is worth 100 times the value of the index.

● The European Options Exchange in Amsterdam and the Montreal exchange are to open what is thought to be the first fungible currency option contract, adds Maggie Urry in London. It will be based on £100,000 against the U.S. dollar.

The specification of the contract in the different exchanges will be identical. Investors can buy in one exchange and sell in another, with settlement handled by the International Options Clearing Corporation. The trading day will last for 10¼ hours, starting at 9.00 GMT in Amsterdam.

The option will start trading on September 23.

# U.S. insurer buys Jennison

By Terry Dodsworth in New York

PRUDENTIAL Insurance, the largest U.S. insurance group, has acquired Jennison Associates Capital Corporation, a closely held New York money management company, in a deal valued at $80m.

The move follows similar acquisitions by other large U.S. insurance groups, and underscores the growing importance of independent money management groups, which have become an increasingly strong factor in the market for managing institutional funds.

Jennison manages around $15bn in assets for a variety of institutional clients, including corporate benefit plans and endowments, and Prudential says that it will add to its own capabilities in managing stock and bond portfolios.

# HNG agrees to sell division

HNG-Internorth and Utilicorp United have signed a definitive agreement under which Utilicorp will buy HNG-Internorth's Peoples Natural Gas division for an undisclosed amount, AP-DJ reports.

The sale is expected to be completed by the end of the year.

In 1984 Peoples had operating revenue of $572m.

# Journalists' union joins UPI bidding

BY PAUL TAYLOR IN NEW YORK

UPI, the troubled 78-year-old news-agency operating under Chapter 11 of the U.S. bankruptcy code, said it had received "numerous expressions of interest" from prospective buyers – including an offer from the local journalists' union.

Mr Luis Nogales, the newsagency's chairman, declined to specify the number of bids or the identity of the bidders although UPI itself reported last weekend that they included several investor groups.

Mr Nogales said: "Confidentiality is essential, and therefore we do not plan to make more comments until we are further along in the selection and negotiation process."

The union, which has recently been embroiled in protracted contract talks and a series of legal cases, said its preliminary offer was the latest step in its "comprehensive efforts to protect the employees of UPI during the bankruptcy" and involves a purchase "either by the employees alone or in a joint venture with one or more purchasers."

UPI, which filed for protection from its creditors in April, revealing that it owed nearly $45m, has recently managed to report monthly operating profits after more than two decades of continuous losses.

The investor groups reportedly interested in acquiring the wire service include one led by the chairman of Indianapolis-based Curtis Publishing, another led by a Houston property developer and a third led by a former CIA director.

UPI officials had said previously that they expected between five and 10 preliminary offers. Earlier this year an unidentified investor group bid $14m for the wire service, an offer which was rejected. Reuters, the international business information group, is also rumoured as a potential bidder although the British-based group pulled out of takeover talks in June

# Siemens buys stake in Italian company

BY JOHN DAVIES IN FRANKFURT

SIEMENS, the West German electrical and computer concern, is linking up with a small Italian company as part of its strategy of building up involvement in aspects of factory automation.

The West German group is buying a 49 per cent stake in ECS (Electric Control Systems) a Florence-based company with 200 employees and a projected sales revenue this year of DM 35m ($12.15m), for an undisclosed price.

Siemens said yesterday that the two companies would co-operate in supplying numerically-controlled systems, for machine tools and in the broad area of industrial automation.

The deal, although modest, reflects Siemens' decision to target the "factory of the future as one of its top priority areas" for investment and sales growth. This strategy also was behind its unsuccessful bid to buy Allen Bradley, the major U.S. factory automation specialist, early this year.

ECS will continue to operate as an independent company, but co-operation with Siemens will give it access to a wider range of products and systems.

Siemens foresees growing demand for factory automation in Italy. With increasing emphasis on supplying complex systems rather than products, Siemens said there was more need to be close to potential customers.

# Canadian Pacific to speed CPE merger

BY ROBERT GIBBENS IN MONTREAL

CANADIAN Pacific hopes to complete its merger with the 70 per cent-owned Canadian Pacific Enterprises (CPE) before the year-end and press ahead with expanding its profitable subsidiaries and bringing the laggards back to health, said Mr William Stinson, company president.

Minority shareholders in CPE would get 1.675 shares of Canadian Pacific for each CPE share, representing a premium of more than 12 per cent over the market price of CPE before the merger was announced.

Mr Stinson said Canadian Pacific, as the single surviving holding company, would increase its equity base by C$1.3bn (U.S.$948m) as a result and future financing would be easier. He added that the company had no near-term plans for raising equity beyond an extended dividend share-purchase programme.

CP Rail will have a net cash shortfall of about C$200m a year for the next two years, while the C$600m Western Canada tunnel and track twinning project is completed. But this is not a problem for a group of Canadian Pacific's size, he said.

# David group approved

BY FAY GJESTER IN OSLO

THE GOVERNMENT has approved a new Norwegian life insurance company – the first new operation in this sector to be started in Norway since 1939.

The founding group has subscribed NKr 14.5m ($1.7m) of the initial NKr 30m share capital. The rest will be raised through public subscription next month.

The new company, the David group, hopes to compete with established companies by holding down administrative costs and selling policies direct to customers. It will begin operating on December 2 to allow it to benefit from year-end business generated by Norwegian tax rules.

The David group's licence permits it to pay a dividend up to 5 per cent higher than its average return on capital. This will be regarded as an upper limit.

During its first few years it is unlikely to pay a dividend.

The launch of the group coincides with a gradual opening up of the Norwegian financial markets to internal and external competition.

# INTERNATIONAL COMPANIES and FINANCE

## Advance in earnings at Bell Group

BY GORDON CRAMB

BELL GROUP, the master investment vehicle controlled by Mr Robert Holmes à Court, yesterday coupled the announcement of a strong profits advance in the year to June with plans for a one-for-one scrip issue.

The news was favourably received on the Sydney Stock Exchange, where Bell shares gained 40 cents to A$9.80, valuing the group at some A$717.3m (US$486.6m).

After-tax profits for the period jumped 62 per cent to A$65.7m. These were struck before the inclusion of an A$38.1m extraordinary credit, which the company said represented its share of the A$141m proceeds from the sale last December of a controlling stake in Weeks Australia.

The 53 per cent holding in the oil explorer owned by Bell Resources, an energy and mining affiliate, was bought by Peko-Wallsend. This took the attributable result at Bell Group just above the A$100m mark.

Of the A$25.2m rise in net operating profits, however, some A$22.3m was accounted for by Bell Group's decision to adopt for the first time an equity accounting method for its associate companies including Bell Resources.

But the company added that post-tax holding costs of A$17.4m were deducted prior to these calculations. In addition, general interest charges rose from A$14.6m to A$35.4m — an increase which, it was suggested by some Australian brokers, reflected in part the costs of maintaining Bell's stake of some 4 per cent in Broken Hill Proprietary, the resources giant.

The BHP holding, worth nearly A$290m, was acquired mainly as the result of bid forays made by Mr Holmes à Court on Australia's largest company. He has indicated no intention of divesting this and, indeed, is thought possibly to be preparing another attempt to secure a strategic stake in BHP.

Non-operating income for Bell Group—which would include a contribution from BHP dividends—was given as A$11.4m for the year, a turnround from a loss of A$587,000 in 1983-84. The dividend is being maintained at 10 cents a share.

The scrip issue, for which shareholders on the register from the end of December will qualify, follows a one-for-five issue made this time last year. Bell Group has made bonuses of this nature in each of the last seven years.

## Marginal first-half rise for Kirin

By Yoko Shibata in Tokyo

KIRIN BREWERY, which occupies the dominant position in the Japanese beer market, has been able to report a marginal earnings improvement for the half year to July, amid a fierce sales battle with makers of shochu —the cheap, clear spirit which has become the fashionable youth drink.

The company, which accounts for more than 60 per cent of Japanese beer sales, said yesterday that pre-tax profits for the period were Y38.9bn ($161.2m) against Y38.8bn. Net profits were Y14.1bn, up 12 per cent, on sales, which at Y644.9bn, were ahead by 4 per cent.

The onslaught of shochu seriously affected beer sales which dropped 5.3 per cent overall in 1984 and also devastated domestic whisky demand.

Under these circumstances, Kirin had initially projected pre-tax profits for the current full year to next January down by 5.4 per cent to Y63bn. However, a recovery in demand was discerned from May, aided by a hot summer, and the company has revised upward its forecast of pre-tax profits to Y68bn, which would be 2.1 per cent up on the previous year.

During the first half, Kirin's beer sales in volume dropped by 1.4 per cent, but grew 4.4 per cent in value due to price increases. Higher material costs were more than offset by a more favourable financial balance.

The company expects full year sales of Y1,187bn, up 2.6 per cent, with net profits of Y28bn, up 11.5 per cent. It plans to keep its annual dividend unchanged at Y7.5 per share, which includes a Y3.75 interim payout.

## Record results at ITC

By P. C. Mahanti in Calcutta

ITC the British American Tobacco offshoot in India has turned in excellent results for the year to June with turnover, pretax, and after tax profits all rising handsomely.

According to preliminary working results, turnover exceeded Rs 8bn ($648m) up 18 per cent from the Rs 6.9bn of 1983-84. Pretax profits were Rs 261.8m against Rs 252.8m and after-tax profits were Rs 81.4m compared with Rs 78.9m.

The dividend is the biggest ever at 22.8 per cent against 20 per cent last year.

Mr J. N. Saproo, the chairman, has contradicted press reports that there is a move on the part of BAT to dispose of its holdings in the Indian company. The reports are absolutely baseless, he said. He went on to add "There is nobody in India who can buy ITC except the Government." In any case public financial institutions already hold about 34 per cent of the equity while the UK parent holds only 32 per cent. In fact ITC's directors are exploring new avenues of investment and growth in the coming years, they say, and the company remains in excellent financial health.

● Metal Box India, the local subsidiary of British multinational of the same name, continues to be deeply in the red

In the 18 months to March, the company lost Rs 86m ($4.5m) compared with Rs 97m in the previous 12 months.

The management says the rate of loss-making has come down and it expects further improvement in the next few years.

Turnover during the period was Rs 1.99bn compared with Rs 2.9bn in the previous year.

Mr B. Mitter, the chairman, who faced a hostile shareholders meeting (shareholders were annoyed that the dividend has again been skipped) explained the company's plan to resume profitable working. The bearing unit has been sold to Tata Steel and the loss-making paper and plastic unit in Calcutta is up for sale. The company is also trying to get rid of its stake in a Bombay subsidiary called Kosmek Plastics and the PVC bottling plant at Kandla Port will be closed. These moves would leave the company to concentrate on its original containers and packaging lines.

## Komatsu just ahead at midway

BY CARLA RAPOPORT IN TOKYO

KOMATSU, the world's second largest manufacturer of construction machinery, has reported a 4 per cent increase in pre-tax profits for the six months to June, on sales up 13 per cent.

The group said sales of construction equipment, which account for 76 per cent of the total, were up 10.3 per cent despite extremely fierce competition.

Earlier this year, the European Community charged Komatsu and other Japanese construction machinery makers with dumping their products. As a result, it imposed stiff anti-dumping tariffs on Komatsu's European exports.

Sales in the six months advanced to Y398.5bn ($1.68bn) compared with Y352.7bn. Consolidated pre-tax profits were up to Y31.5bn from Y30.3bn, while net income was up only 2 per cent at Y14.2bn from Y13.9bn. Earnings per share were down to Y16.5 from Y17.1.

The company said that it remains committed to achieving initial profit targets for the full year of net sales of Y720bn, up 3.7 per cent, and net income up 18 per cent to Y26bn.

Komatsu said sales of industrial machinery jumped 17.6 per cent in the period thanks to increased capital investment by the vehicle industry both at home and abroad. Komatsu specialises in steel presses, as well as industrial robots and laser machinery.

Sales of electronics-related products rose 28 per cent in the period to Y41bn.

## Japanese venture for Schroder Wagg

BY OUR TOKYO STAFF

THE BAIL-OUT by Toshiba earlier this year of Sord Computer, once the darling of the venture capital business in Japan, has apparently not dampened foreign enthusiasm for the sector.

Schroder Wagg, the British merchant bank, has tied up with Pacific Technologies Ventures (PVT), a Tokyo-based venture capital company to advise on investment in high-growth venture capital backed companies in Japan. The joint venture, called Schroder PTV Partners, is due to start operations next week.

The two companies have already established a Cayman Island-based Japan Venture Fund, capitalised at $15m. Of this, $8m was financed by Schroder and the rest raised from U.S. and European investors.

PTV was established three years ago with $10m in funds raised from U.S. investors and invested in Japanese new venture businesses in the computer and information equipment fields.

In the U.S. and Europe, some venture capital groups have fallen short of investment targets because of the relative inactiveness of venture businesses there. Instead there has recently been increasing worldwide interest in investment in high-growth and high-technology Japanese companies.

Foreign Venture capital in Japan is injected mainly by setting up funds in partnership with Japanese venture capital companies. Of these the most notable has been Arabian Gulf Investment (Far East), which established the Hong Kong-based Agifel Japan Small Companies Fund. Advised by an active Japanese venture capital company, Yamaichi Uni Ven, it swiftly placed the available funds in Japanese venture businesses. West German funds are also newcomers to the market.

## Malayawata loss deepens

BY WONG SULONG IN KUALA LUMPUR

MALAYAWATA, Malaysia's biggest steel producer, has been hit by high interest charges and oversupply in the market to report a bigger loss of 37.2m ringgit ($15m) for the year ended March compared with a previous loss of 11.3m ringgit.

The company said interest charges went up to 30.4m ringgit from 18.6m ringgit due to higher borrowings incurred to finance the installation of a second rolling mill.

Although the second mill has almost doubled, the company's production capacity to more than 400,000 tonnes a year, Malayawata has continued to face keen competition from other Malaysian steel manufacturers

As a result, Malayawata's turnover only rose 18 per cent to just below 200m ringgit.

Malayawata said it was taking steps to alleviate the burden arising from high finance charges, but did not disclose what measures were being planned.

## SAIB in the red at six months

BY DOUG GRAHAM IN RIYADH

SAUDI INVESTMENT BANK (SAIB) has reported a U.S.$383,000 loss for the first six months of 1985, in line with the lower first-half incomes reported by the Kingdom's other banks. For the same period last year, SAIB posted a profit of U.S.$2.97m.

SAIB said the losses were attributable to the placing of $5.47m in reserves to cover possible loan losses. Assets increased by 10 per cent to $1.04bn. Total loans and advances fell 10 per cent

## JAPANESE COMPANY RESULTS

**CANON**
Cameras, business machines

| Half-year to | Jun '85 Y | Jun '84 Y |
|---|---|---|
| Revenues (bn) | 468 | 378 |
| Pre-tax profits (bn) | 42.86 | 35.81 |
| Net profits (bn) | 17.51 | 16.01 |
| Net per share | 28.43 | 27.80 |

CONSOLIDATED

**KUBOTA**
Farm machinery

| Three months to | Jul '85 Y | Jul '84 Y |
|---|---|---|
| Revenues (bn) | 124 | 121 |
| Pre-tax profits (bn) | 3.18 | 5.72 |
| Net profits (bn) | 1.51 | 2.21 |
| Net per adr | 22 | 33 |

CONSOLIDATED

**TRIO-KENWOOD**
Audio equipment

| Year to | May '85 Y | May '84 Y |
|---|---|---|
| Revenues (bn) | 117 | 101 |
| Pre-tax profits (bn) | 2.63 | 1.58 |
| Net profits (bn) | 1.50 | 0.33 |
| Net per share | 32.95 | 8.38 |

CONSOLIDATED

Kieran Cooke on the transformation of Indonesia's state airline

# Garuda changes its image as it tries to climb out of the red

ANYONE TRAVELLING to the Far East and Australia will have noticed the difference. Garuda, the Indonesian state airline which has become the butt of many weary travellers' tales for its rather basic service and old-fashioned image, is changing. A worldwide advertising campaign is proclaiming the benefits of a new executive class. There are pictures showing the many beauties of Indonesia. Soon Garuda's orange and white colours will give way to a startling blue as part of the airline's apparently complete transformation.

The change of image is just one response to the tough times Garuda is suffering, caused mainly by a downturn in passenger traffic. Buttressed by high air fares on domestic routes — which together make up a considerable portion of mileage flown — Garuda expanded rapidly during the economic boom in Indonesia. During the 1970s passenger traffic expanded by more than 20 per cent in most years.

In anticipation of continued growth, more than US$1bn was spent on new planes at the beginning of the 1980s. But the general economic downturn, falling prices for the country's vital oil exports, and a devaluation of the Indonesian currency, the rupiah, have all taken their toll.

Many of Garuda's planes have been flying half empty as passenger traffic has remained fairly static over the past five years. On international routes Garuda's pasenger load factor so far this year is 50 per cent. On domestic routes it is only 42 per cent and almost for the first time since it came into existence in the late 1940s, Indonesia's state airline has been forced to go out and look for people to fill its planes.

There is a sense of urgency about the present campaign as revenues continue to slide: Garuda's total debts now stand at more than U.S.$1.1bn and there is also a looming need for more big expenditures as a sizeable portion of the airline's fleet nears the end of its working life.

### West Coast route

To deal with these problems, Garuda is not only trying to win more passengers but is also seeking ways to reduce the size of its fleet without reducing its international or domestic routes. At present it has six Boeing B-747s, nine Airbus A-300s, six DC-10s and 20 DC-9s. It also has 34 Fokker F-28 1000s and 4000s, used solely on domestic routes. Mr R. A. Lumenta, who was appointed president of Garuda late last year and the man hebind the new look at the airline, says that he is considering either selling or leasing at least four of the Airbuses, which are proving a considerable financial headache.

The Airbuses were bought for a total of U.S.$436m in 1982 in a complex deal involving Garuda issuing promissory notes to a number of banks for both Eurodollar loans and export credits. There were no government guarantees on the deal but Garuda insists that its cash flow is still healthy and both it and the banks involved seem to feel that the debt is under control. It does, however, represent a heavy burden, especially now that overall debts are peaking and revenues are showing no signs of increasing. In 1983 Garuda made a loss of U.S.$76m and the figure is expected to be much the same or slightly higher when the 1984 report is finally published.

The Airbuses are also proving difficult to sell or lease. They were originally purchased for use on the longer routes within Indonesia and have none of the usual trimmings such as hot food facilities, reading lights, and music consoles. The Airbuses also have a special Garuda-designed two, rather than three, flight crew cockpit. Mr Lumenta says it would cost U.S.$1.7m to upgrade each of the Airbuses. He says Garuda might be forced to do this as no potential buyer at present seems interested in the more simple, spartan plane.

Mr Lumenta is making a number of other moves to try to improve the airline's overall performance. Frequencies on popular routes will be increased and from 1987 Garuda plans to operate 14 flights to Europe each week compared with the present eight.

### Reducing the fleet

This, says Mr Lumenta, will not only generate more revenue but will also lessen the time that the Garuda fleet is left idle on the ground; "at present we have far too many planes waiting on the tarmac and not enough in the air." Great hopes are also put on a recently inaugurated route to the West Coast of the United States which Garuda shares with Continental Airlines using a DC-10 painted with both airlines' colours and flying once a week Bali-Guam-Los Angeles.

Flights will later be increased, and Mr Lumenta hopes for more agreements and increased business out of what he describes as Garuda's "marriage" with Continental. But for the moment the Garuda president admits that times are tough. "I will only be able to breathe again next year, when we are over the worst of our debt payments and when, hopefully, the problem with the Airbuses will be sorted out."

# Shipments of copper restart at Sipalay

BY LÉO GONZAGA IN MANILA

EXPORT SHIPMENTS have resumed at a copper property in Sipalay, on Negros island in the central Philippines, following an injection of funds by Marubeni, the Japanese trading house.

Maricalum Mining, which took over the deposit from the now defunct Marinduque Mining and Industrial Corporation in July, was given a U.S.$15m advance by Marubeni to finance the reopening.

The amount will be repayable in the form of copper concentrates, for which 90 per cent of production has been committed to Marubeni for the next five years. The remainder has been allocated to Philippine Associated Smelting and Refining (Pasar), based in Isabel, on Leyte island in the east central Philippines.

Output at Sipalay restarted at an initial capacity of 20,000 tonnes of milled ore, yielding between 275 and 300 tonnes of concentrate a day.

The first shipment consisted of 5,500 tonnes of concentrate with recoverable gold, silver and molybdenum byproducts. This went to Marubeni.

Meanwhile, Pasar has been cleared on safety grounds in its ability to process the mercury-laden copper concentrates produced by Benguet in San Marcelino, north-west of Manila. This followed 38-day tests conducted by the National Pollution Control Commission (NPCC) and Lurgi of West Germany.

Based on the evaluation, Pasar can process 65.4 dry tonnes of Benguet concentrates daily. This is achieved by blending them with concentrates of other producers. The resulting mixture contains only 1.5 parts per million of mercury.

On an annual basis, this rate of output would represent about 20 per cent of Benguet's total production. All its output has been committed to Japanese buyers, principally Mitsubishi Metals, the company says.

Lurgi was chosen by Pasar and Benguet as an independent party for the tests alongside the NPCC. These were jointly conducted but separately evaluated.

# INTL. COMPANIES & FINANCE

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 17.

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amex Credit 10⅝ 90 | 100 | 101⅞ | 102⅜ | +0½ | +0⅝ | 10.25 |
| Amex Credit 12⅝ 88 | 150 | 105⅝ | 106⅛ | +0⅛ | +0½ | 10.28 |
| Atlant Richfld 10¼ 00 | 250 | 93½ | 94 | −0⅛ | +0¼ | 11.12 |
| Australia Com 11¾ 00 | 100 | 102⅞ | 103⅜ | −0⅛ | +0¼ | 10.80 |
| Australia Com 11 95 | 200 | 101½ | 102 | −0⅛ | 0 | 10.68 |
| BP Capital 11⅛ 92 | 150 | 101⅞ | 102⅜ | −0⅛ | −0⅛ | 10.62 |
| Canada 11⅛ 90 | 500 | 104⅝ | 105⅛ | −0⅛ | +0⅛ | 10.06 |
| Canadian Pac 10¾ 92 | 100 | 101⅜ | 101⅞ | +0⅛ | +1 | 10.41 |
| Canadian Pac 12½ 99 | 75 | 107 | 107½ | 0 | +0½ | 11.43 |
| Chevron U.S.A. 12¾ 89 | 500 | 104⅜ | 104⅞ | +0⅛ | +0¼ | 10.77 |
| Citicorp 10 96 | 200 | 99⅝ | 100⅛ | −0⅛ | −0⅛ | 10.04 |
| Citicorp 11½ 96 | 150 | 100⅝ | 101⅛ | +0⅛ | +0½ | 11.33 |
| Coca Cola 11¾ 91 | 100 | 105⅛ | 105⅝ | −0⅛ | 0 | 10.36 |
| Denmark Kingdom 11¼ 89 | 100 | 102⅜ | 102⅞ | +0⅛ | +0¼ | 10.31 |
| Denmark Kingdom 11½ 90 | 100 | 102⅞ | 103⅜ | −0¼ | −0⅛ | 10.58 |
| Denmark Kingdom 11½ 92 | 100 | 103 | 103½ | +0⅛ | +0⅝ | 10.75 |
| Denmark Kingdom 13¾ 91 | 100 | 110 | 110⅛ | −0⅛ | +0¼ | 10.04 |
| E.D.F. 10 95 | 225 | 95 | 95½ | 0 | +0½ | 10.80 |
| E.E.C. 9⅝ 00 | 350 | 97 | 97½ | −0⅛ | −0⅛ | 10.36 |
| E.E.C. 11⅛ 90 | 100 | 102⅜ | 102⅞ | 0 | +0⅝ | 10.31 |
| E.I.B. 12 95 | 200 | 108¼ | 108¾ | +0⅛ | +0¼ | 10.65 |
| Export Dev Corp 10 90 | 150 | 99¼ | 99¾ | 0 | +0½ | 10.11 |
| Export Dev Corp 12 90 | 100 | 105¾ | 106¼ | 0 | +0½ | 10.13 |
| Fed Dep Stores 10⅛ 95 | 100 | 96½ | 97 | 0 | 0 | 10.66 |
| Ford Motor Cred 11⅛ 00 | 100 | 102⅛ | 102⅝ | −0½ | +0⅝ | 10.88 |
| Ford Motor Cred 11⅝ 95 | 100 | 101¾ | 102¼ | +0¼ | +0⅝ | 11.24 |
| Ford Motor Cred 11¾ 92 | 100 | 102¼ | 102¾ | −0⅝ | −0⅛ | 11.10 |
| Ford Motor Cred 12 95 | 100 | 106⅛ | 104⅝ | 0 | +0⅝ | 11.20 |
| Gen Elec Credit 10¾ 00 | 200 | 100¼ | 100¾ | 0 | +0⅝ | 10.17 |
| GMAC 10¼ 89 | 200 | 100¼ | 100¾ | 0 | +0⅝ | 10.05 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

OTHER STRAIGHTS — [illegible]

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: [illegible]

Floating Rate Notes: [illegible]

Convertible bonds: [illegible]





## Contracts and Tenders

### REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

*(Algerian Popular Democratic Republic)*

MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUES
*(National Oil Exploitation Company)*

*ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS*
*(National Oil Exploration Company)*

**NOTICE OF NATIONAL AND INTERNATIONAL OPEN CALL FOR TENDERS NUMBER 9166 AY/MEC**

The National Oil Exploitation Company is launching a National and International Open Call for Tenders for the supply of the following:

Lot No. 1 — Independent 1,000 hp pumping unit comprising a 1,100 hp CAT D 399 diesel engine and a Triplex sludge pump — quantity: 2.
Lot No. 2 — Siemens alternator Type IFCA-354 4FE 45 — quantity: 2.
Lot No. 3 — Caterpillar D. 379 500 kVA 60 Hz generator set — quantity: 4.

Tenderers interested in this Call for Tenders may obtain the specifications from the following address:

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS (ENTP)
16 ROUTE DE MEFTAH, OUED SMAR, EL-HARRACH
ALGIERS, ALGERIA
Direction des Approvisionnements (Supplies Division)

for the amount of 400 Algerian Dinars, with effect from the date on which this notice is published.

Offers, of which five (05) copies should be prepared, must be sent in a closed double-sealed envelope by registered mail to the Secrétariat de la Direction des Approvisionnements (Secretariat, Supplies Division) at the above address.

The outer envelope should bear no mark that might identify the tenderer, or any heading, and should read: "AVIS D'APPEL A LA CONCURRENCE OUVERT NATIONAL ET INTERNATIONAL No. 9166 AY/MEC—CONFIDENTIEL—A NE PAS OUVRIR" (National and International Open Call for Tenders No. 9166 AY/MEC—Confidential—Do Not Open). Tenders must be received within 45 days after this notice is published.

Tenderers shall be bound to their offers for a period of 180 days after the closing date of this Call for Tenders.

### REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

*(Algerian Popular Democratic Republic)*

MINISTERE DE L'ENERGIE ET DES INDUSTRIES CHIMIQUES ET PETROCHIMIQUE
*(Ministry for Energy & Chemical & Petrochemical Industries)*

**NOTICE OF NATIONAL AND INTERNATIONAL OPEN CALL FOR TENDERS NUMBER 9168 AY/MEC**

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS
*(National Oil Exploitation Company)*

The National Oil Exploitation Company is launching a National and International Open Call for Tenders for the supply of the following:

Lot — KHD power pack for skid with Deutz Type B.A. 12 M 816 motor — quantity: 3.

Tenderers interested in this Call for Tenders may obtain the specifications from the following address:

ENTREPRISE NATIONALE DES TRAVAUX AUX PUITS (ENTP)
16 ROUTE DE MEFTAH, OUED SMAR, EL-HARRACH
ALGIERS, ALGERIA
Direction des Approvisionnements (Supplies Division)

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Tenderers shall be bound to their offers for a period of 180 days after the closing date of this Call for Tenders.

## Motor Cars



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BRADSHAW & WEBB require and offer low-mileage Mercedes. Phone: 01-403 7708, 01-352 7348.

ROAD RANGE LIVERPOOL—Cash buyers for low-mileage Mercedes Benz. 051-709 3437.

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### Company Notices

**THE ROYAL BANK OF CANADA**
US$350,000,000
*Floating Rate Debentures due 2005*

In accordance with the terms and conditions of the Debentures, the interest rate for the period September 5, 1985, to October 7, 1985, has been fixed at 8¼ per cent per annum.
On October 7, 1985, interest of US$73.33 per US$10,000 nominal amount of the Debentures and interest of US$733.33 per US$100,000 nominal amount of the Debentures will be due for payment.
The rate of interest for the period commencing October 7, 1985, will be determined October 3, 1985.
ORION ROYAL BANK LIMITED
Agent Bank and
Principal Paying Agent

### Art Galleries

DUNCAN OPPENHEIM. RECENT WATER-COLOURS. New Grafton Gallery, 49, Church Road, Barnes. Tuesday-Saturday 10-5.30. (Until 28 September.)

### Holidays & Travel

### Flights



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## Overseas



## Company Notices

**Gold Fields**

**Notice to Holders of Ordinary Share Warrants to Bearer**

**Final Dividend**

Subject to approval of the proposed final dividend of 16p per share at the Annual General Meeting to be held at the Hotel Inter-Continental, 1 Hamilton Place, London, W.1, on Thursday, 7 November 1985 at 11.30 a.m., the dividend will be paid on 18 November 1985, or at the expiration of six clear days after lodgement thereof, whichever is the later, to holders of Coupon No. 139 detached from Ordinary Share Warrants to Bearer.

Payment will be made:—
in London at:
Midland Bank plc, Stock Exchange Services Department,
Mariner House, Pepys Street, London EC3N 4DA.

in Paris at:
Credit du Nord,
6-8 Boulevard Haussmann, 75009 Paris.

in Zurich at:
Union Bank of Switzerland,
45 Bahnhofstrasse, 8021 Zurich.

**Registered Office**

The Company's registered office has been changed to 31 Charles II Street, St James's Square, London SW1Y 4AG with effect from 17 September 1985.

**Consolidated Gold Fields PLC**
31 Charles II Street, St James's Square, London SW1Y 4AG

**RIGGS NATIONAL CORPORATION**
*US$60,000,000*
***FLOATING RATE SUBORDINATED NOTES 1996***

In accordance with the provisions of the Notes, notice is hereby given that for the period 18th September to 18th December 1985 the Notes will carry a rate of interest of 8⅞ per cent per annum with a coupon amount of US$218.44.

**CHEMICAL BANK**
*AS AGENT*

## Contracts and Tenders

**INTERVENTION BOARD FOR AGRICULTURAL PRODUCE**
**Invitation to Tender**

Tenders are invited for the urgent supply of 5298 tonnes of soft wheat to Tunisia for delivery on a FOB stowed and trimmed basis to an EEC port. Loading shall commence no earlier than 21 October 1985 and no later than 4 November 1985 for 15 days.

The price for the supply and transportation costs of the soft wheat for the above tender will be determined on examination of the tenders, which must be submitted by noon on 1 October 1985 to: Branch B Cereals, Internal Market Division, Intervention Board for Agricultural Produce, Fountain House, 2 Queens Walk, Reading, Berks RG1 5SP. Tel Reading (0734) 583626 Ext 368.

Notices of invitation to tender together with tendering forms may be obtained from the above address.

# Overseas growth lifts Fisons 33%

STRONG international performances by each of Fisons' three divisions, pharmaceuticals, horticulture and scientific equipment, enabled it to lift pre-tax profits by 33 per cent to £30.1m in the six months to June 30, compared with £22.6m last time.

Group sales were up 27.6 per cent to £322.5m, against £252.8m. In the light of the result, the interim dividend is raised from 1.8p to 2.16p, says Mr John Kerridge, chairman and chief executive. Earnings per share were up 16 per cent at 10.2p (8.8p) "continuing the pattern of sustained growth."

In the pharmaceutical division, profits were up 21 per cent to £18.7m (£15.4m) on sales up to £110.9m (£96.7m), with growth in most major markets but particularly in the U.S., the world's largest market. In the U.S., says Mr Kerridge, a larger sales force contributed to substantially increased sales for patented products.

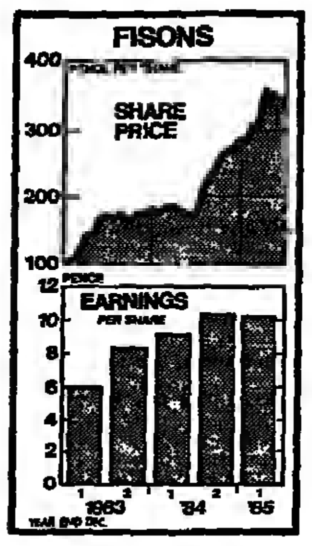
The UK was a difficult market for ethical products, he says, with both the weather and the Government's moves against the industry affecting sales.

In the circumstances, he says, it was a considerable achievement to produce sales marginally ahead of last time. CP Pharmaceuticals, the generic drugs company, has developed rapidly; it achieved exceptional results.

The production capacity of the generics manufacturing plant at Wrexham, Clwyd, has been considerably increased he says. New facilities were officially opened in March.

New production facilities for ethical products at Holmes Chapel, Cheshire, were also formally opened and a factory being built on a greenfield site in Spain is nearing completion.

John Kerridge, chairman of Fisons




In continental Europe, the hay-fever season was late and relatively mild. Despite this, marketing increased sales significantly, says Mr Kerridge. Good progress was made in other overseas markets.

Applications are being considered by the authorities in two European countries for the registration of Nedocromil, a new product for the treatment of allergies.

In the scientific equipment division, profits were 15.5 per cent higher at £8.2m (£7.1m) on sales up to £176.7m (£124.6m). Good progress was achieved throughout, says the chairman. The Laboratory Supplies Group translated full order books to sales both in the UK and in export markets and achieved substantial growth.

Other noteworthy performances, he says, included Haake, which had a record six months, aided by the expansion of the factory in Karlsruhe, West Germany, which more than doubled capacity.

In the U.S., Curtin Matheson Scientific continued to achieve significant share gains in the biomedical laboratory market. Overall it met expectations. In May, Austin Biological of Texas was acquired for $2m, becoming the third manufacturing company to be merged with CMS.

In line with Fisons' strategy of supplementing organic growth with acquisitions, says Mr Kerridge, in June it acquired, for £12.5m Carlo Erba Strumentazione, of Milan, a leading manufacturer of gas chromatography and other analytical instruments.

The horticulture division increased profits by 50 per cent to £3.3m (£2.2m) on sales up to £34.9m (£31.5m), a result which he describes as outstanding.

More than half the division's profits were achieved in North America, where both a firmer market for commodity peat and substantially increased sales for the Sunshine range of value-added peat-based products contributed to increasing successes. In the UK, in contrast to last year's good spring, poor weather created a difficult environment. In spite of this, sales were only marginally lower.

Tax charges were £6.9m against £4.9m and minorities took £300,000 (same), giving attributable profits of £22.9m compared with £17.4m.

The April rights issue had a beneficial effect on finance charges, which were sharply reduced to £100,000, against £2.1m. Lower U.S. interest rates and the weaker dollar also contributed. The net effect of exchange fluctuations was marginally favourable, he says, and much of the remainder of expected earnings and foreign currency transactions in 1985 have been covered. Operational cashflow was positive in spite of the significant capital investments.

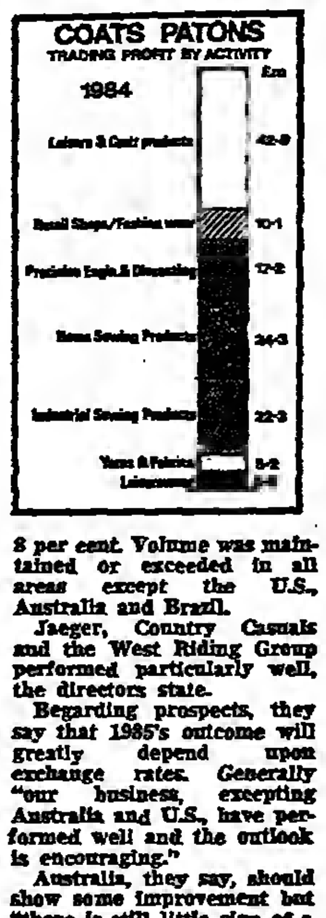
See Lex

## Setbacks in U.S. and Australia hit Coats

Coats Patons, a world leader in threads and knitting yarns, has suffered a 12 per cent fall from £43.2m to £38.2m in taxable profits for the first six months of 1985.

Exchange rate movements accounted for half of the fall and the remainder stemmed from deteriorating trading conditions in the U.S., Australia and Brazil. Other operations exceeded last year's level of profitability on a sterling basis.

Group turnover rose by 4 per cent to £486.7m, although at constant exchange rates the increase would have been 8 per cent. Volume was maintained or exceeded in all areas except the U.S., Australia and Brazil.




Jaeger, Country Casuals and the West Riding Group performed particularly well, the directors state.

Regarding prospects, they say that 1985's outcome will greatly depend upon exchange rates. Generally "our business, excepting Australia and U.S., have performed well and the outlook is encouraging."

Australia, they say, should show some improvement but "there is still little sign of a pick-up in the United States where textile imports are still increasing."

The first-half result was struck after interest payable of £7.8m (£7.1m) and was subject to tax of £12.7m (£15.1m).

Earnings per share amounted to 8.2p (8.9p) and the interim dividend is being raised from 1.65p to 1.9p.

See Lex

# ConsGold reaches £115m despite S. African setback

BY STEFAN WAGSTYL

Consolidated Gold Fields, the mining and construction materials group, yesterday announced a 9 per cent increase in pre-tax profits to £114.9m for the year to the end of June, 1985.

The contribution from South African gold mining interests fell by 8 per cent, due largely to the decline of the rand against sterling. But this was more than offset by a 22 per cent increase in profits from construction materials in the UK and in the U.S.

Bolstered by optimistic remarks from Mr Rudolph Agnew, the chairman, the shares rose 15p on the stock market to 440p, recovering some of the ground lost earlier this year in reaction to unrest in South Africa.

Mr Agnew said: "I have said many times there are sunny uphills ahead of us. Now I can see them."

The contribution from the 48 per cent-owned associate, Gold Fields of South Africa, fell to £44.4m from £45.8m and dividends from direct holdings in gold mines slipped from £23.6m to £19.6m. The fall in the rand against the pound outweighed the rise in the rand price of gold, the company said.

In the U.S., the contribution from the 26 per cent-owned Newmont Mining Corporation was up from £6.4m to £9.3m, thanks to profits on the sale of Atlantic Cement, a loss-making subsidiary.

Renison Goldfields Consolidated, the Australian associate, contributed greatly increased profits of £9.6m, against £2.1m, following extensive rationalisation of copper mining activities.

Operating profits from construction materials and industrial operations were up from £68.5m to £83.5m. The UK contribution fell from £45.7m to £41.9m, due to the sale of Alumasc at the end of 1984. ARC maintained its performance despite the effects of bad weather and the coal strike on the construction industry. Bath and Portland, acquired for £63m towards the year end, made a small contribution.

In the U.S., non-mining operating profits leapt from £22.8m to £41.6m, with the help of a strong performance from the concrete pipe business and profits from development land sales.

Group pre-tax profits were struck after a higher interest charge of £47.1m (£35.6m), reflecting a £86.5m increase in net borrowings to £441.9m.

After tax of £37.5m (£33.4m), attributable profits were £77.4m (£71.5m), or 40.7p per share (38.2p). The final dividend was unchanged at 16p, making 24.5p, the same as last year.

Mr Agnew declined to give details of the progress of the group's attempts to sell its U.S. industrial interests, which include its disastrous 1980 acquisition, Skytop Brewster, an oil-drilling equipment company. Nevertheless, Consolidated Gold Fields is understood to be in the final stages of negotiations with a single buyer for this portfolio of companies, which could fetch over £100m.

A sale would leave the group free to expand further its mining and construction interests. It has recently invested heavily in gold mining in the U.S. and, with the Bath and Portland acquisition, in the UK. It is also keen to build up a third leg to the group—possibly in coal-mining. Mr Antony Hichens, managing director, said: "I would like to see us much more in coal."

However, the group said it still had great faith in South Africa. Mr Agnew said: "If you are to be in the mining industry you cannot lightly withdraw from a major mineral province. Nor can we see any justification for doing so."

See Lex

## Rise of 41% in Barrow Hepburn profits

Strong underlying trading performances from the major companies in the chemicals and engineering divisions helped Barrow Hepburn Group record a pre-tax profit advance of 41 per cent in the first half of 1985.

On turnover up by 16 per cent from £19.74m to £22.98m, taxable earnings improved from £664,000 to £935,000. From earnings of 1.68p, against 1.33p adjusted for the one-for-four rights issue, an increased interim payment has been declared of 1p (0.8p) to reduce disparity.

Last year there was a total payment of 2.2p from pre-tax profits of £1.65m.

Directors of the Worcester-based engineer, hide dealer and maker of chemical compounds, say the results confirm the progress being made within the group.

# Bestobell recovery under way

Bestobell, the specialist engineering group, has recovered to profits of £2.33m in the first half of 1985, compared with losses of £3.63m for the second six months last year. The pre-tax figure, however, is down on the £4.11m achieved in the first half of 1984.

Mr Sandy Marshall, who was succeeded as chairman yesterday by Mr David Ingman, says that directors have decided it would not be prudent, despite the progress made, to declare an interim dividend—last year a 5.7p interim was paid, but the final was omitted.

"Priority is being placed on strengthening the balance sheet and the improvements already achieved and expected will be taken into account at the year end in reviewing the dividend policy," Mr Marshall states.

Both turnover and gross profits were little changed for the six months at £71.23m (£71.1m) and £24m (£24.38m) respectively.

At the trading level profits amounted to £4.02m (£4.56m) and were divisionally split as to: controls and instrumentation £1.49m (£1.64m); aviation and engineering £1.5m (£1.23m); North America £966,000 (£567,000); Australia and S.E. Asia £50,000 (£786,000); South and Central Africa £72,000 (£333,000).

After tax of £1.17m (£1.77m) earnings are given as 7.7p (13.8p).

### ● comment

These figures are better than they first appear, and analysts were busy yesterday revising their full year estimates to around £5m. The market reaction—the shares fell 7p to 220p—was largely an expression of disappointment at the passed over interim dividend. This in fact shows a healthy concern for the balance sheet rather than ingratitude to shareholders, who can expect some better news with the final. The situation in Australia has been greatly improved with the sale of the contracting division, and although Loy Yang may again take something above the line, it will be nowhere near a profit-wrecking level. Gearing is still high at around 65 per cent, but the trend is downwards from the high point earlier this year. The higher average debt is the reason for the higher interest charge. Gearing can be expected to fall from now on. Nobody is making money in South Africa at the moment, and in any case it accounts for only 5 per cent of turnover, so Bestobell's exposure is rather less than some others. On the full year forecast, with tax at 50 per cent, the earnings ratio is a healthy 14.2—at 220p, something of a recovery stock.

# Burns-Anderson in £1.7m rights

BY LUCY KELLAWAY

Burns-Anderson, the shopfitting and financial services group, yesterday announced plans to raise £1.7m by way of a rights issue, after an earlier scheme to raise £2.1m in the U.S. was defeated at an extraordinary general meeting in July.

The company also forecast that pre-tax profits for the current year to March 1985 will not be less than £900,000, which is 34 per cent higher than last year.

The terms of the rights, which is underwritten, will be three-for-ten at 48p per share, a 27 per cent discount to yesterday's share price.

"Although our earlier plans were defeated, the need for the money is still there," Mr D. Heap, the company secretary, said yesterday. The funds will be used to expand the financial services; licensed deposit taking and personal finance hire purchase. The group intends to move into new areas of financial services and has plans to set up a trade finance subsidiary.

The directors are expecting to declare a final dividend of 1.45p, to make a total of 2.70p, compared to 2.42p last year.

The group's failed attempt to raise money this summer would have involved a £1m placing of shares and a £1.1m placing of convertible loan stock to be principally taken up by the Johnston Group, a subsidiary of Johnston Industries, in the U.S.

Shareholders voted against the package on the grounds that it was unfairly advantageous to Johnston, and should have been available to all shareholders.

The shares, which at the time of the EGM stood at 54p, closed yesterday up 1p at 61p.

## Sale talks are still continuing at Oceonics

Oceonics Group, the marine and defence electronics company which put itself up for public sale last April, is still in discussions with potential buyers of all or parts of the company, Mr Bob Aird, chairman, told yesterday's annual shareholders' meeting.

Trading in the present year remains difficult. The oil and gas industry remains depressed and Oceonics' board is reviewing the structure of its offshore service business. The defence group has continued its solid performance in the first part of the year.

## British Benzol calls for £1.3m

British Benzol Carbonising, a coke and smokeless fuel manufacturer and mining company, based in Newport, Gwent, which was hit badly by the miners' strike, announced yesterday that it proposes to raise £1.32m with a rights issue of 13 per cent convertible unsecured loan stock 1995.

At the same time, it revealed that the 13-month strike cost it £1.24m in the year to March 31 1985, leading to an attributable loss of £1.09m compared with a profit of £135,000.

Turnover was up to £15.38m against £13.75m and, before the cost of the strike, listed as an extraordinary item, there was a pre-tax profit of £282,000 (£29,000).

Mr William Doule, chairman, says the recovery is under way and the position has stabilised. The rights issue will, he says, strengthen the financial position and provide working capital for volume recovery, expansion and new ventures.

The rights is on the basis of £1 nominal of convertible stock for every 17 ordinary 10p shares held at close of business on October 9 1985. It will be convertible into ordinary shares in each of the years 1989 to 1995 at 15p nominal of convertible stock per ordinary share.

## Cocksedge shares suspended at 36p

Share dealings in Cocksedge (Holdings), a structural and mechanical engineer, were temporarily suspended on the stock market at the company's request yesterday "pending clarification of its financial position." At the suspension price of 36p, the company has a market capitalisation of £500,000. Cocksedge has recorded losses for much of the past five years, although its half year figures to September 30 last year showed a reduction in pre-tax losses from £152,000 to £68,000 on turnover of £1.93m.

## Zetters Group

ZETTERS GROUP, the football pools company, saw pre-tax profits for the year to the end of March 1985 rise slightly from £1.39m to £1.44m, on turnover down by £200,000 to £26m. From earnings per 5p share of 12.41p (9.03p) it is proposed to make a final payment of 3p (2.85p), making a total for the year of 4p (3.25p).

# Allied Lyons buys into Scottish hotel market

Allied Lyons, the food and drink group, yesteday announced a recommended offer for Aberdeen Hotel, which values the company's share capital at about £10m.

Aberdeen, which owns seven hotels with 700 beds, is Allied's first hotel acquisition in Scotland and will join the Embassy Hotels group with its 40 hotels and 2,500 beds in England and Wales.

The offer of nine Allied shares for every one Aberdeen share has been irrevocably accepted by owners of 61 per cent of the share captial including the directors of the company. The cash alternative of £20 per Aberdeen share is unlikely to be taken up by many shareholders in the private company.

Talks between Allied and Aberdeen had been progressing for several weeks before the recent 250p a share bid for Allied from the Australian company, Elders IXL. But Sir Alex Alexander, Allied's vice-chairman, stressed that it was business as usual. "We have got a business to run and we are not waiting around for someone to destroy it," he said.

In the year ended October 31 1984 Aberdeen made a profit before tax and exceptional items of £562,000 and expects a pre-tax profit of £695,000 for this year.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| APV Holdings ...... int. | 4.5 | Oct 31 | 4.5 | — | 11.25 |
| Armstrong Equipment | 0.8 | Nov 13 | 0.4 | 1.1 | 0.6 |
| Barr & Wallace ... int. | 2 | Nov 8 | 2 | — | 6 |
| Barrow Hepburn ... int. | 1†‖ | Nov 1 | 0.8 | — | 2.2 |
| Bestobell .............. int. | Nil | — | 5.7 | — | 5.7 |
| Brixton Estate ...... int. | 2.3 | Nov 2 | 2.1 | — | 5.15 |
| Coats Patons ........ int. | 1.9 | — | 1.65 | — | 5.5 |
| ConsGold Fields ........ | 16 | Nov 18 | 16 | 24.5 | 24.5 |
| Fisons .................. int. | 2.16† | Jan 2 | 1.8 | — | 4.5 |
| Felkes Group ......... int. | 0.35 | Nov 14 | 0.35 | — | 1.3 |
| Hartons ............... int. | 0.44 | Oct 29 | 0.39 | — | 1.16 |
| Imtec Group‡ ............ | Nil | — | 1.7 | 0.4 | 1.7 |
| Intereurope Tech ......... | 3.7 | — | 3.29 | 5.4 | 4.83 |
| JSD Computer ...... int. | 1‡ | Nov 6 | 0.2 | — | 1.5 |
| Kode Intnl ............ int. | 1.75 | — | 3.5 | — | 10 |
| B. Matthews ......... int. | 3.75 | Nov 1 | 2.5 | — | 6.5 |
| A. & J. Mucklow ......... | 3.99** | — | 3.75 | 7.21 | 6.75 |
| Oriflame Intnl ...... int. | 9.5 | Nov 21 | 8.6¶ | — | 21.3¶ |
| Pittard .................. int. | 1.6 | Jan 2 | 1.45 | — | 5.5 |
| George H. Scholes ...... | 14 | — | 13 | 20 | 18 |
| Scottish Heritable ... int. | 1.4 | Oct 23 | 1.1 | — | 2.5 |
| Stocklake Holdings ...... | 9 | Nov 8 | 9 | 12 | 12 |
| Systems Designers int. | 0.15 | Nov 18 | 0.1* | — | 0.34* |
| Trafford Park ............ | 7.75 | — | 6.5 | 11.5 | 10 |
| Travis & Arnold ... int. | 1.95 | Nov 11 | 1.95 | — | 7.92 |
| Zetters ..................... | 3 | Nov 1 | 2.35 | 4 | 3.25 |

Dividends shown in pence per share except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for scrip issue and conversion to £1 shares. ‖ To reduce disparity. ** Gross figures.

# UK COMPANY NEWS

## APV confident as profits increase by 17% midway

APV Heldings, manufacturer of industrdial processing and heat-transfer equipment, raised pre-tax profits by 17 per cent to £6.51m in the six months to June 30 1985, compared with £5.57m last time on turnover up 9 per cent to £205m, against £187.75m.

Earnings a share basic were 8.9p (7.5p) and fully-diluted 8.7p (7.5p). The interim dividend is maintained at 4.5p.

Sir Ronald McIntosh, chairman, says that, unlike last year, second-half profits are likely to be higher than those for the first.

He says most of the growth in profit came from overseas operations. The North American companies did well and there were good results from Europe. There was also an improvement in the Asia Pacific section.

The performance of the UK companies was mixed but as a whole they showed an improvement over the first half of last year.

The South African operations made a loss but, he says, corrective action is in hand.

The rationalisation programme is progressing well, he says. Acllon to reduce overheads and tighten financial controls is continuing throughout the group and further measures are being taken to strengthen operating management in e number of important subsidiaries.

Group trading profits were £8.13m (£6.78m) and the share of the loss of related companies was £12,000 (£17,000).

Interest payable less receivable amounted to a debit of £1.61m (£1.2m debit). Tax took £3.61m, against £3.23m, but the charge is an estimate because of the uncertainties of computing taxation for e period of less than a year. The 1984 half-year figure has been restated.

Profit on ordinary activities after tax was £2.89m (£2.36m). Profit attributable to minority shareholders was £38,000 (£35,000 loss). Extraordinary items after tax took nothing against £686,000, leaving attributable profits of £2.86m (£1.68m).

**● comment**

Reorganisation, restructuring, rationalisation, redundancies—if it begins with an "r" it's happened at APV. The firm hand of new management is slapping the subsidiaries into shape one by one, and the resulis are beginning to come through. No one expected a turround overnight and there are still some weak spots: the South African subsidiaries' new management is struggling against edverse market conditions, and in the UK it is probably going to take a few months for the new team at Crawley to bring APV International into line. Prospects appear to be for steady growth: order books are not growing sensationally, but they are growing, and the group's main concern is to extract decent profit margins. Fer this year some £14m looks likely, and with the shares closing unchanged at 275p yesterday, the prospective p/e ratio is looking undemanding at 12 on e 50 per cent tax charge.

## Polypipe meets profit forecast

Polypipe, which came to the USM in June, has achieved e 27 per cent improvement in pre-tax profits in the year ending June 30 1985.

In its offer for sale document, the Doncaster-based company, which makes and supplies plastic plumbing systems, forecast profits of not less than £1.3m. The full year pre-tax result has emerged et £1.35m, compared with £1.06m previously.

Sales improved by over 40 per cent, to £11.79m (£8.41m), and Mr Kevin McDonald, the chairman, says that the coming year will benefit considerably from the build-up of sales in underground drainage systems products. The company will also benefit as well from its increased penetration of the important south eastern market and the company's entry into Northern Ireland.

BRITANNIA ARROW HOLDINGS and Okasan Securities in Tokyo have formed a joint venture company to manage international funds. The new company will be known as Britannia Okasan International Investment Management.

## London Park resells the Plaza and makes £1.5m

BY CHARLES BATCHELOR

London Park Hotels has sold the Plaza Hotel, e 367-room property in central London, for £8.5m cash just five months after buying it for £7m.

Mr Naushad Jivraj, chief executive of London Park, said: "We are looking at another project and did not want to over-gear the company. This sale gives us a nice profit over five months and serves the purpose of funding an acquisition we are looking et very closely.

"We are negotiating for a property in central London which will be a four-star hotel and become the flagship of the company."

The Plaza, which London Perk eriginally intended to upgrade from a two- to a four-star hotel by means of a £1m redt, has been sold to Linden Corporation, a Panamanian company backed by Middle East interests. Linden is not believed to have any other London hotels.

London Park, formerly the Rowton Hotels group, will receive a payment of £425,000 from Linden on exchange of contracts and a further cash payment of £8.07m on completion, which is due to take place by November 29.

London Park bought the Plaza from the private interests of Mr Nurdin Jivraj, London Park's deputy chairman. Rushlake Hotels, a private company controlled by the Jivraj family, owns 75 per cent of London Park.

The purchase was announced in December but only took effect in April. The Plaza is in Princes Square, W2.

London Park last week announced e rise in pre-tax profits from £238,000 to £582,000 in the six months ended June 1985.

FOLKES GROUP, property, services, engineering and consumer products group, has increased pre-tax profits from £600,000 to £700,000 in the first half of 1985. Turnover fell to £31.9m (£32.6m). On increased earnings of 1.46p (1.18p) per 5p share the interim dividend is maintained at 0.35p.

# COATS PATONS PLC

## Interim Results

Earnings of £22.6m (1984: £24.6m) are down due to difficult trading conditions in U.S.A. and Australia.

Cash flow is sound after providing for a continuing high level of investment. Interim dividend will be 1.90p which is an increase of 15% over last year.

Unaudited results for January/June 1985 and the comparative figures for 1984 are as follows:—

| £s million | Jan./June 1985 | Jan./June 1984 | Year 1984 |
|---|---|---|---|
| TURNOVER | 466.7 | 447.7 | 1,076.0 |
| Trading profit before charging depreciation | 52.9 | 57.3 | 143.0 |
| Depreciation | 10.5 | 10.2 | 21.2 |
| TRADING PROFIT | 42.4 | 47.1 | 121.8 |
| Investment and other income | 3.6 | 3.2 | 7.6 |
| Interest payable (net) | (7.8) | (7.1) | (19.6) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 38.2 | 43.2 | 109.8 |
| Taxation | 12.7 | 15.1 | 35.3 |
| Profit on ordinary activities after taxation | 25.5 | 28.1 | 74.5 |
| Interest of minority shareholders | 2.9 | 3.5 | 9.8 |
| EARNINGS FOR ORDINARY SHAREHOLDERS | 22.6 | 24.6 | 64.7 |
| Dividends | 5.2 | 4.6 | 15.2 |
| PROFIT RETAINED | 17.4 | 20.0 | 49.5 |
| Earnings per ordinary share of 25p | 8.2p | 8.9p | 23.4p |
| Rates of exchange used: | | | |
| U.S. Dollars per £ | 1.35 | 1.35 | 1.16 |
| Australian Dollars per £ | 2.00 | 1.55 | 1.40 |

The results shown ebove for the year 1984 are an ebridged version of the Group's full accounts which have been filed with the Registrar of Companies and on which the euditors geve an unqualified report.

Turnover increased by 4% over the first balf of 1984. At constant exchange rates the increase would have been 8%. Volume was maintained or exceeded in all areas excepting the United States, Australia and Brazil where weaker-than-expected trading conditions prevailed. Jaeger, Country Casuels and the West Riding Group performed particularly well.

Trading profit at £42.4m fell by 9% egainst the comparable figures for 1984. Profit before taxation of £38.2m compares with £43.2m in the first balf of 1984, reflecting e fell of 12%. Exchange translation accounts for 6 percentage points of the reduction leaving 6% due to the deterioretion in trading conditions. U.S.A. end Australia were particularly difficult areas and both markets fell well below last year's performance and also our earlier expectations. Togather with Brazil, which showed e slight decrease, these markets more than account for the total shortfall in profits. Remeining operations exceeded last year's level of profitability on a Sterlieg basis.

Taxation at 33% of profit before taxation is the rete we expect for the year (1984: 32%).

Minority shareholders' interest at £2.9m was down due to results in Australia.

Resultant earnings per share were 8.2p as against 8.9p in January/June 1984.

The outcome for the year will depend greetly on the rates of exchange at the year end end these are especially difficult to forecast against the present background of unsettled world economic conditions. Generally speaking our businesses, excepting Australia and U.S.A., have performed well and the outlook is encouraging. Australia should show some improvement but there is little sign of e pick-up in the United States where textile imports are still increasing.

A strong cash flow performance for the year is expected resulting from close control of working capitel and disposal of surplus fixed essets. This should mean an improvement in year-end gearing which was 31% at 31st December 1984. In view of this, en interim dividend of 1.9p per share (1984: 1.65p) will be paid to ordinary shareholders on the register on 29th November 1985.

This announcement ef Coats Petons PLC results for the balf-year ended 30th June 1985 will be published in a number of national newspapers on 18th September but will not otherwise be communicated to shareholders.

## Mucklow on target and growth continues

A and J Mucklow Group, industrial property investor and development, has produced pre-tax profits up from £4.92m to £5.12m for the year to June 30 1985, as forecast et the time of the March interim statement. Present indications are that the current year will show e further "modest improvement."

The gross dividend is increased from 6.75p to 7.21p per share, reflecting the group's strong financial position and the directors' confidence in the future. Earnings per share are a shade better at 6.54p (6.52p).

The board has decided to widen the scope in property development. Whereas activity in the past has been confined mainly to industrial property in the West Midlands for retention as investment, it bas now decided to include other types of property and other locations.

It is intended that some of these developments will be retained as investments and some sold. In this context, a retail warehouse development of 32,000 sq ft at Halesowen, pre-let to W. H. Smith Do-It-All, and a small speculative development of 10 self-contained office units et West Bromwich, will be commenced during the coming year.

Rental income in 1984-85 totalled £6.31m (£5.91m), trading profits were £123,000 (£858,000) and investment income amounted to £533,000

## Former Comfort chief buys Arden & Cobden

MR HENRY EDWARDS, former chairman of Comfort Hotels, has announced the agreed acquisition of Arden & Cebden, the last listed temperance hotel group, for about £3.9m.

Mr Edwards and family interests made an offer of 625p cash for each Arden & Cobden share. But when Arden's share price, which was as low as 250p earlier in the year, rose 200p yesterday to close et 715p there was some market speculation ebout another bidder.

Irrecoverable undertakings to eccept Mr Edwards' offer have, bovere, been made by owners of 58.4 per cent of the shares (368,329), including undertakings from all the Arden directors in respect of 21.98 per cent.

Mr Edwards' return to control of a listed hotel group follows nine months after the agreed £71m bid by the Ladbroke Group for Comfort Hotels.

He began bis career at Grand Metropolitan and then built up the Centre Hotels chain, now part of Bass. In 1977 he took over the Adda International group and changed the name to Comfort.

The Birmingham-based Ardee & Cobden has recently announced it is to seek e drinks licence. After some poor results in recent years the company made a pre-tax profit of £123,476 to the year ended December 29 1984, on a turnover of 1.45m. In 1983 the profit was only £27,690 and turnover was £1.22m.

Arden's listing on the Stock Exchange is almost certain to be maintained. Agreement bas also been reached for an offer of 35 per share for the 65,000 unlisted 4.55 per cent preference shares.

## Promotions House midway rise

Despite lower turnover of £5.59m, against £6.49m, at the Promotions House, pre-tax profits of this USM-quoted sales promotions concern, expanded from £138,700 to £231,400 for the first six months of 1985.

The newly ecquired Bonusbond Holdings business is proving to be e valuable addition to the group's widening range of promotional services and directors hope to be able to recommend an unchanged dividend for the year of 0.7p.

The directors point out thet although overall turnover was lower, they have been encouraged by the increased level of sales of promotions, from which the company derives its profits, during the first six months.

After tax of £95,000 (£78,300) earnings were 0.54p (0.24p).

## COMPANY NEWS IN BRIEF

THE BRITISH CAR AUCTION group yesterday acquired a 22.65 per cent stake in Five Oaks Investments, the property company. But BCA said that, subject to any significant change in circumstances, it would "not make a full bid for Five Oaks for e period of et least six months." It acquired 830,000 shares (12.58 per cent of the equity) at 40p a share from Mr M. Morrison, chairman of Five Oaks. A further 665,000 shares (10.08 per cent) were acquired et 41p a share from investment clients of Anderson and Co. Clients of Anderson, ecting in concert with BCA, continue to hold a further 2.73 per cent of the company's shares.

ENTERPRISE OIL's £121m bid for Saxon Oil, which on Monday received the approval of Enterprise shareholders, is not to be referred to the Monopolies and Mergers Commission. Enterprise yesterday announced further purchases of Saxon shares in the market at the offer price of 540p—it now holds 21.29 per cent.

GEORGE H. SCHOLES, makers of Wylex electrical products, increased pre-tax profits to £4.94m (£4.72m) in the year to June 30 on turnover up to £26.21m (£24.3m). Earnings a share were 45.1p (40.8p). Final dividend is 14p, making a total of 20p (18p).

STOCKLAKE HOLDINGS, exporter and importer, proposes a final dividend of 9p per share (same) making a total of 12p (same) for the year to March 31 last. Turnover was £24.17m (£24.54m) and pre-tax profits of £3.82m (£3.55m). Tax totalled £1.83m (£1.72m) leaving earnings per share of 47.22p (43.26p).

YEARLING BONDS: The interest rate for this week's issue is $11\frac{1}{16}$ per cent, down $\frac{1}{8}$ of a percentage point from last week, end compares with $11\frac{1}{4}$ per cent e year ago. The bonds are issued at par and are redeemable on September 24, 1986. A full list of issues will be published in tomorrow's edition.

INTEREUROPE TECHNOLOGY Services, producer of technical documentation for industry and various government departments, reports record pre-tax profits up 20.4 per cent to £1.62m in the year to June 30, 1985. Turnover increased by 15.7 per cent to £8.96m. The final dividend is raised from 3.29p net to 3.7p for e total of 5.4p compared with 4.83p. Stated earnings per 20p share were 20.5p (15.38p), an increase of 33 per cent. The board says the group enters the current year in a strong position.

JSD COMPUTER Group International, a computer staff agency, raised pre-tax profits to £302,000 in the first six months of 1985 compared with £132,000 last time. Tax charges were £125,000 (£50,000), giving attributable profits of £177,000 (£82,000). Earnings e 5p share were 3.2p (1.5p) and the interim dividend is raised to 1p (0.2p). Overseas activities continued to expand, particularly in the U.S., where revenue exceeded thet of the UK. U.S. revenue was 47 per cent (39 per cent) of the total turnover and European ectivities outside the UK accounted for 22 per cent (18 per cent).

In the UK, the company maintained its market position, say the directors. Its fourth UK office, opened in Aberdeen in February 1985, is trading satisfectorily.

TRAFFORD PARK ESTATES recommends a final dividnd of 7.75p per share (6.5p) making a total for the year to June 30 1985 of 11.5p per share (10p). Pre-tax profits were £2.56m (£2.47m). After tax of £857,358 (£979,429) earings per share are 15.16p (13.17p).

WYKO GROUP'S Mr Roger Edwards, the chairman, told the annual meeting that order books in all divisions continued at record levels and the group's markets continued to expand, and mechanical power transmission components in particular offered considerable scope for organic growth. "We are confident thet our sales and merketing expertise allied to our in-depth technical back-up will lead to significant growth," he said.

WINTRUST received acceptances in respect of its rights issue of convertible cumulative preference £1 shares toalling 1,905,978 shares (87.37 per cent). The balance of 275,646 shares have been sold in the market.

GLEN ABBEY, the Dublin-based clothing manufacturer, incurred e pre-tax loss for the first half of 1985 of I£103,000 (£83,000) against a loss last time of I£95,000. Turnover was up from £6.98m to £8.22m. The loss per share came out at 2.9p (2.6p).

BRITISH VENDING Industries, one-for-four rights issue has been taken up in respect of 1,984,031 shares (93.08 per cent). The balance has been sold, fully paid, in the market for the benefit of shareholders who have not taken up their rights et a premium of 8p gross.

This is neither an offer to exchange or sell nor a solicitation of an offer to buy or exchange any security. The Offer is made in the Prospectus dated September 18, 1985 and the related Letter of Transmittals. The Offer is not being made to, nor will it be accepted from, holders of these securities in any jurisdiction in which making an offer or acceptance thereof would not be in compliance with the securities laws of such jurisdiction.

### REPSTEEL OVERSEAS FINANCE, N.V.
### OFFER TO EXCHANGE

$11\frac{1}{2}$% Convertible Secured Bearer Notes Due 1996
or
$11\frac{1}{2}$% Convertible Secured Registered Notes Due 1995
and
9 Shares of LTV Common Stock ($0.50 par value)
for any and all of its
$11\frac{1}{2}$% Notes Due 1988
(Guaranteed by LTV Steel Company, Inc.)

RepSteel Overseas Finance, N.V., a Netherlands Antilles corporation ("RepSteel") and a wholly-owned subsidiary of The LTV Corporation, a Delaware corporation ("LTV") is offering to exchange $1,000 principal amount of $11\frac{1}{2}$% Convertible Secured Registered Notes due May 1, 1995 ("New Registered Notes") and 9 shares of Common Stock, $0.50 par value, of LTV ("LTV Common Stock") or $1,000 principal amount of $11\frac{1}{2}$% Convertible Secured Bearer Notes due May 1, 1996 ("New Bearer Notes") and 9 shares of LTV Common Stock in exchange for each $1,000 principal amount of the $11\frac{1}{2}$% Notes due July 1, 1988 and guaranteed by LTV Steel Company, Inc. ("Old Notes"). All accrued and unpaid interest from July 1, 1985 on tendered and accepted Old Notes has been taken into account in the Amount and terms of the New Notes.

The New Bearer Notes may not be offered or sold, directly or indirectly, in the United States of America, its territories or possessions (the "United States") or to a United States Person, as part of the distribution of the New Bearer Notes. The New Registered Notes may be offered or sold to United States Persons or non-United States Persons. The New Bearer Notes and New Registered Notes (collectively called the "New Notes") will be guaranteed by LTV on a senior basis.

The New Notes are convertible into LTV Common Stock, initially at a conversion price of $10.00 per share, subject to adjustment in certain events. Interest on the New Notes begins to accrue July 15, 1985, is paid semiannually beginning November 11, 1985, and may be paid, at the option of RepSteel, in cash, in shares of LTV Common Stock, or in a combination of cash and shares of LTV Common Stock. Any shares of LTV Common Stock issued in payment of interest will be valued at between 90 and 75 per cent of the average Sale Price of LTV Common Stock over a ten-day period.

The Offer will expire 5:00 P.M., New York City time, on October 9, 1985, unless extended by RepSteel.

Old Notes tendered pursuant to the Offer, unless previously accepted for exchange, may be withdrawn any time after 5:00 P.M., New York City time, December 12, 1985.

The terms and conditions of the Offer are set fourth in the Prospectus dated September 18, 1985. Requests for information or copies of the Offer Prospectus should be directed to:

Exchange Agent:
Banque Générale du Luxembourg S.A.
14 Rue Aldringen
Luxembourg
Telephone: 4799-452

Information Agent:
D. F. King
60 Broad Street
New York, New York 10004
212/269-5550 (collect)

The LTV Corporation:
E. T. D'Maerer
Director, Investor Relations
LTV Center
2001 Ross Avenue
Dallas, Texas 75265-5003
214/979-7749 (collect)

### NOTICE TO BONDHOLDERS

## Alcan Australia Limited

### $8\frac{1}{2}$% Bonds due 1989

Notice is hereby given that, pursuant to paragraph 4 (a) of the terms and conditions of the bonds, US$750,000 principal amount thereof have been purchased by Swiss Bank Corporation, Zurich, as purchase agent during the year September 1st 1984, to August 31st, 1985.

US$19,750,000 nominal bonds will remain outstanding after August 31st, 1985.

Alcan Australia Limited
by Swiss Bank Corporation (Luxembourg) Limited, Luxembourg
as Principal Paying Agent

September, 1985

# UK COMPANY NEWS



## Pittard up 28% and raising £2m

BY LUCY KELLAWAY

Pittard Group, leather manufacturer, is raising capital for the first time since coming to market in 1962, via a placing of cumulative preference shares raising £2.1m after expenses.

The company also announced yesterday e 28 per cent increase in profits before tax to £1.3m in tho six months to June 1985 on sales up by 24 per cent to £20.8m. Tbe directors are recommending e 10 per cent rise in the interim dividend to 1.6p.

The placing proceeds, which will initially be used to reduee short-term borrowings, will subsequontly provide a basis for future expansion. A steady increase in turnover over the last few years has pushed the group's plants to almost full capacity, and the funds will be employed both to increase and improve capacity and to provide additional working capital.

The improvement in profit in the first half bas come both from a 5 per cent rise in volume, and from an increase in margins, particularly in the Bovine division. However, the chairman, Mr D. C. Macdooald, described margins as "some way short of what wo believe is a realistic target" and said that "we are hoping to be able to announce further progress at the conclusion of tho current year."

He said that the company was expanding the range of prodnets to include a greater "valuo added" element and to counter cyclical influonces in the market.

The weakness of the pound against the dollar for much of the first half has resulted in a 30 per cent increase in exports to £9m, where they account for 44 per cent of sales. However, the company warns that if the present upward trend of sterling continues, it will have an adverse effect npon its exports.

Pre-tax profits were arrived at after charging depreciation of £169,000 (£137,000) and interest of £281,000 (£249,000). Profits after tax were £951,000 (£814,000), to make earnings per share of 12.4p (10.6p).

The pleclng will be of 2.2m £1 cumulative preference shares with a coupon of 9½ per cent, which will rank pari passu with the existing 9½ per cent preference shares. The ploclng price is set et 101p, eompared to the latest market price of the existing shares of 102p.

In conjunction with the placing, there will be a two-for-three capitalisation issue of ordinary shares to provide the necessary capital cover for the new preference shares. Brokers are Cazenove & Co.

### ● comment

If the unusual spectacle of Pittards eoming to tho market for new equity raises that company's profilo a littlo, it can only be a good thing. For Pittard, as one of the most scantily followed stocks on the market, has not received the attention it deserves given its powerful recent growth record, which has seen sales double in about two years. Selling leather to the shoe and glove industries is e cyclical business to Pittard has made strides to minimise the effect of any downturn by broadening its product base. The exchango rate is a greater worry—if the dollar weakens sharply Pittard will find itself deprived of export and bome markets, and find its margins, which otherwise are on tho increase, coming under considerable pressure. However, on all but tho most gloomy view of exchange rates Pittard stands to prodnce another good increase in profits this year, and its shares at 11tp yielding 7.2 per cent look undervalued. Eveo if the company decides against plans to huild a new leather tannery, the new money will have the welcome effect of reducing gearing from about 50 per cent to nearer 20 per cent.

## Mellerware tumbles to £10,000

Mellerware International,n manufacturer of cookware and small domestic electrical appliances, blames a general downturn in consumer spending on such products for a slump in profits to £10,000 in the six months to June 30 1985 compared with £612,000 last time.

Demand for cookware increased by 20 per cent, says the company, but overall turnover was down sharply to £3.88m compared with £4.38m.

The slowing of demand was accompanied by severe pressure on prices, says the company, and thus on margins. Overheads were increased, notably in manufacturing and advertising prior to the launch of products now in the shops.

It says Top-Pot and a new range of microwave cookware drew a promising initial response from the trade and it expects the eostly investment and marketing campaign for these products to bear fruit in the second-half, traditionally the better half for sales.

It says sales of new products to a widening customer base coupled with strenuous efforts to reduce overheads, leads it to helieve that the second-half will be considerably more encouraging.

The interim dividend is maintained at 1p. Tax charges amounted to £4,000 (£273,000), leaving attributable profits of £6,000 (£339,000). Earnings per share were 0.001p against 6.2p.

## Evans of Leeds raising £12m

By Richard Tomkins

Evans of Leeds, the property investment and devleopment group, is raising £11.5m through a placing of £12m of first mortgage debenture stock 2025. The proceeds will be used to enlarge its property portfolio.

Evans is in the process of changing the emphasis of its portfolio from industrial to commercial properties. In its year to last March it spent £5.4m on tho purchase of nine shop and office investment properties.

Commercial properties are lower yielding than industrial properties and Evans therefore needs to continue expanding its commercial portfolio to sustain income growth.

The stock bas a gross redemption yield of 11.274 per cent, a margin of 0.75 per cent above the yield on 13¼ per cent Treasury Stock 2004-08. It has a coupon of 11 per cent and the issuo price is £97.617, of which £25 is payable on subscription and the balance on January 31.

Interest on the stock will be payable in half-yearly instalments on April 30 and October 31 with the first payment being made on April 30 1986.

Hambros Bank is the merchant banker to the issue and Rowe & Pitman are stockbrokers.

The last similer placing by a property company was made hy Brixton Estate, which raised £15m last month through an issue of first mortgage debenture stock 2025 with redemption yield of 11.153 per cent. Brixton, however, used the proceeds to repay the bulk of short-term, variablo date debt.

## Stock Conversion hits out at Stockley

BY FRANK KANE

MR HARRY NORRIS, the chairman of Stock Conversion, the property group, has attacked the "obstructivo attitude" of the company's 26.54 per cent shareholder, the fast-growing Stockley.

He was speaking before yesterday's extraordinary meeting, which had been called in part, to approve the board's proposal to increase Stock Conversion's authorised share capital, a move which Mr Norris considered "would have benefitted all shareholders." He said: "Stockley would seem to put the preservation of their percentage interest first."

The capitalisation issue proposals, which would have increased Stock Conversion'o authorised capital from £13.25m to £52m, and other proposals relating to a two-for-one scrip and relaxation of the requisite euthority for share issues, were not put to the meeting. Stockley, which is backed by Mr Jacob Rothschild, last week signalled its intention to use its blocking vote to oppose the extraordinary motions, which require a 75 per cent majority.

Expressing his "extreme disappointment," Mr Norris said that the hoard found it "profoundly disturbing that Stockley is seeking to exercise an unwarranted degree of control" over the company's affairs. He continued: "Their present attitude does, in our view, crystallise a conflict of interest between Stockley and our other shareholders.

"Yopr board does not believe it is in the best interest of Stock Conversion, and shareholders generally, to be expected to seek specific advance approval from a competitor on sensitive commercial issues," added Mr Norris.

Mr Norris did not altogethor give up the idea of tho capital reorganisation, hut said that the board intended to resubmit the proposals "as soon as we are able."

He said later that he still had no reply from Stockley clarifying its intentions regarding its large stake, nor had there been any request for representation on the Stock Conversion board.

## Income up by 12% at Brixton Estate

Brixton Estate, property development and investment company, saw income rise by 12 per cent from £8.19m to £9.17m for the first half of 1985. Net rental earnings rose to £9.13m against £8.18m, with other income rising by £23,000 to £36,000.

Pre-tax profits came out at

Mr Harry Axton, chairman Brixton Estate

£4.63m, up hy 4.5 per cent from £4.43m after interest on developed properties took £3.62m (£3.83m) and administration expenses of £921,000, against £957,000. There was no dealing profit this year, compared to £226,000 last time.

The directors have declared an interim payment of 2.3p net, compared with last year's 2.1p.

Mr Harry Axten, chairman, says that satisfactory progress has been made in all areas with the exception of Houston, U.S., where the property market continues to be depressed and no further progress has been made on the company's developments. Elsewhere the level of lettings during the period was encouraging.

He adds that the company is continuing its policy of acquiring suitable properties for development both in the UK and abroad and a number of schemes are being considered.

Among its new developments in the UK, a 6.4 acre site has been acquired at Feltham near Heathrow Airport

## Armstrong surges by 80% after rationalisation

A CONSIDERABLE improvement in second half profits, from £1.46m to £3.02m, has boosted the pre-tax result at Armstrong Equipment by 80 per cent for the year to end-June 1985, from £2.51m to £4.53m.

The directors of this engineering holding company, based in North Humberside, attribute the improvement to the maturing of the officiency improvement plans for the group's UK companies.

They say that all three divisions, automotive, light engineering and fastenings, within the UK are making rapid gains, and it is the UK performance, added to the still growing companies in Spain, which will be the prime mover in raising the group's performance to much higher levels in 1985-86.

All UK divisions are now well placed both to make continued profit gains and to contribute to the enlargement of the group, they add.

From stated net earnings ahead from 3.37p to 7.9p per 10p share, the final dividend is doubled to 0.8p, making a total of 1.1p (0.6p).

Turnover fell during the period, from £114.28m to £102.49m, largely due to the sale of the Australian and South African subsidiaries, but the directors anticipate thet turnover in 1985-86 will climb appreciably back.

Despite lower sales, trading profits rose from £5.76m to £7.68m, from which interest charges took a lower £3.13m (£3.25m).

Tax was considerably reduced at £396,000 against £721,000, leaving net profits ahead at £4.14m (£1.79m). Extraordinary items took a heavy £2.26m compared with £188,000, and minorities were a similar £46,000 (£45,000).

Shareholders' funds at June 30 stood at £37.42m (£36.68m).

### ● comment

The picture presented by Armstrong Equipment is one in which rationalisation, rigorous cost control and an efficiency drive produced a quite dramatic profits growth in last year's final quarter which is set to continue into thie year and next. The niggling question that remains is what will happen when every cost has been cut to the bone? The gloomy view is that there are a lot of borrowings attached to a somewhat unglamorous business with few long-term growth prospects or exciting niches. The only way this profits growth is going to be maintained is through acquisitions, and the only way these are going to be made is by getting the price/earnings ratio up. If £8m on a 15 per cent tax charge is in sight for this year, as ono might suppose from the chairman'e tone, the shares, up 3½p at 48½p yesterday, are on an extremely meagre prospective multiple of 4. The price is unlikely to rise to a level which will satisfy Armstrong's acquisitive urge without a little more proof in the pudding.

## Wallace Arnold profits dip as leisure loss rises

Barr and Wallace Arnold Trust reports further losses in its leisure and holidays division for the first six months of 1985.

There is a pre-tax loss of £392,000 (£374,000) and Mr Malcolm Barr the chairman anticipetes thet the loss for the full year will be not dissimilar to that shown for th first six months. This is double the figure reported for tho whole of 1984.

However, major management changes took place recently in Wallace Arnold Tours and the chairman believes these will ensure mnch hrighter prospects in the long run.

Pre-tax profits for tho group fell to £313,000 (£423,000) in the six months to June 30. Tho interim dividend is unchanged et 2p per shere, and earnings per share fell to 3.9p (6.1p).

There were better results from motor distribution with profits up from £820,000 to £836,000.

In the full year, the chairman anticipates motor profits to be "ahead" of last year's £1.8m, and fuel distribution could be "substantially better" (£177,000 for 1984).

In addition to the downturn in leisure, a 3 per cent increase in interest rates which raised charges by around £100,000, offset some of the benefir of the cash received from the sale of the computer services division in July 1984.

Turnover of the group was slightly lower at £80.17m (£81.1m) in the opening half.

# Merger pushes Systems Designers over £3m mark

NEARLY DOUBLED taxable profits of £3.22m, against an adjusted £1.78m, were achived by Systems Designers, the computer consultancy, in the first six months of 1983.

The merger with Warrington Associates of the U.S. earlier in 1985 "has contributed to a substantial increase in the scale of the group's operations," says Mr Philip Swinstead, the chairman.

Turnover increased from £19.72m to £25.6m and the market for systems consultancy "is expanding steadily and it is our objective to grow with it as ooe of the international leaders in the field," he says.

Comparitives for 1984 have been restated as if Warrington had been a member of the group for that period. Warrington's year end bas been changed from October 31 to December 31.

The interim dividend is being raised by 50 per cent from e scrip issue adjusted 0.1p to 0.15p. Earnings per share were 0.84p higher at 1.82p.

Mr Swinstead says that during the period "we have made good progress both in the U.S. and in our European softwear business."

Systems' principal operation in the U.S. is Warrington Associates, which produced the "good results" anticipated at the time of the merger. Its-Bolt (bood On-Line Trading) service maintained its dominant position in the bond trading market.

An upgraded Bolt II will be installed in all clients' offices following current market trials, and a product strategy for related markets is being evalueted and developments planned.

Capital investment in 1985 in edditional computer facilities to support the business in Minnesots and Alabama, U.S., will exceed £2m.

Systems' European software business, strengthened by the merger with Systems Programming in 1984, has been structured into four main market areas ecross both the UK and Europe, under one management. "Group profit margins have been steadily improving as a result," says the chairman.

Although fees turnover increased by 31 per cent over the comparable period last year, there was no significant increase in professional staff numbers. "This was a deliberate policy of consolidation and reorganisation to improve margins and has only recently been replaced at midyear by e return to staff expansion to meet increasing business," be says.

In all of Systems' markets, there is a move, he says, towards product-based solutions and "we are placed to take advantage of this trend."

The scientific division has opened an office in Boston to further sales of Ada and Artificial Intelligence products into the U.S. market. The office will work closely with the established Virginia software company.

# Difficult trading cuts £1m off Travis profit

AS FORECAST, trading in the first half of the year at Travis & Arnold has been difficult and has left profits down by £1m to £3.62m at the pre-tax level.

Higher interest rates and lower local authority spending depressed construction activity and the situation was made worse by poor weather at the start of the year, Mr Travis, chairman, states. He adds that timber prices and margins "have been under particular pressure."

The chairman says that as a result of the trend to lower mortgege rates, confidence should improve again in the housing market and he bopes for an improved trading pattern "together with a brighter outlook for 1986."

Turnover of this timber, building materials, plumbing and central heating equipment supplier for the six months to June 30 last dipped to £61.24m, egainst £64m, and trading profits amounted to £2.98m (£4.2). Profits included investment income of £694,000 (£426,000) but were subject to tax of £1.46m (£1.93m).

Earnings per share are lower et 12.6p (15.7p) bot the interim dividend is maintained et 1.95p net—last year's final payment was 5.97p from taxable profits of £9.63m.

The chairman stated in his annual review that it would not be an easy first half bnt directors remained confident that looking ahead a little further they could continue to build on the very firm base the company had.

No account has been taken in the interim results of sales or profits of Kennedy's (Builders' Merchants) acquired shortly before the end of June.

# Oriflame is buying a second Swedish retail jeweller

THE FIRST half of 1985 was the most important in the history of Oriflame International, according to Mr Jonas af Jochnick, chairman. There was satisfactory growth in profits and sales of its traditional operations in the direct selling of cosmetics and it announced a major acquisition in Sweden which took the company into a new area of operations.

In addition the chairman announced, with the interim results, that agreement had been reached in principle to buy another Swedish company.

The ecquisition of Guldfynd, the largest jewellery retail chain in Sweden for £14.8m, is now subject only to Swedish Government approval. Oriflame intends to buy 90 per cent of another Swedish jewellery chain, Guldkedjan, for SKr 4.3m (£364,000) cash.

The move will add 27 shops and a turnover of SKr 70m (£6m) to the 101 shoos of Guldfynd. Mr af Jochoick says that the latest ecquisition will bring in management expertise that is needed for the operation of the combined businesses as well as prime store locatioos.

The ecquisitioo will become effective on Janoary 1 1986. There is an undertaking to buy the balance of the company at a later stage for shares.

In tbe six months to the end of Jooe taxable earnings rose by 19 per ceot on turnover (excluding turnover taxes) up by 15 per cent. Pre-tax profit was £2.53m (£2.12m) on sales which rose from £13.28m to £15.3m. From earnings per £1 share of 21.4p, against 16.7p adjusted for last year's scrip issue and conversion to £1 shates the interim dividend bas been raised from an adjusted 8.6p to 9.5p.

Operation profit increased from £2.08m to £2.09m, reflecting, the chairman says, the major efforts to restructure and strengthen the sales force and marketing programme.

Other income increased by £400,000 to £505,000 with higher interest received, and a reversal of the exchange losses for the same preiod last year. The pre-tax figure was struck after the share of losses of associated companies took £73,000 (£66,000).

The Scandinavian sales division continued to provide substantial growth in sales and profit, particularly in Sweden.

In the direct sales division, UK showed further growth and in Holland the major restructuring was completed, part of which involved the launch into Belgium.

## ● comment

Partyplan, the Tupperware parties of the jewellery direct sale business, are the secret of Oriflame's strong growth record. Its maio competitor in Europe is Avon which still relies on the door to door (or one-to-one) method. As Avon have given up in Scandinavia so Oriflame has strengthened its position there. Now the battle is on for Benelux. The Guldfynd acquisition—100 shops in Swedeo and Finland—has cost very little in cash terms and even with the more recent "Chain of Gold" purchase (also io Sweden) the group sbould end the year with its £10m cash pile intact. While much of the growth has been in Scandinevie for this Luxembourg registered, London listed company, other markets are being developed in both the U.S. and in the Far East, although start-up costs mean that associetes are still making a negative cootribution. In the UK the problems of the past seem to have been resolved following some management and other changes bnt the main interest here still seems to be in the stock market rather than in jewellery sales. For the full year £5.75m is forecast, which has the shares at 480p up 30p on a prospective multiple of 10 on the low tax charge of 13 per cent that comes with its chosen mailing address.

# Kode drops to £0.1m and payment halved

Turnover et Kode International, computer equipment manufacturer, more than doubled from £6.69m to £14.78m for tha 24 weeks ended June 14 1985, but at the pre-tax level profits dropped to £101,000 compared with £482,000 previously. The interim dividend is halved to 1.75p per share.

The directors say they are disappointed, "particularly after positive progress has been made in overcoming many of the difficulties."

They add that while the fundamental problems in Kam appear to have been solved, with e modest profit now being made by that company, the state of the micro-computer markets in recent months, "has had a marked effect on profits in the information technology division of the group."

Despite cost reductions profits declined, the directors state, but they add that more is being done to improve profitability.

After tax of £40,000 (£217,000) earnings per share are shown as 1.1p (5p).

# New integrated system is Imtec's key to recovery

PRE-TAX LOSSES of £581,000 have been incurred by tha Imtec Group for the year to March 31 1985. This compares with profits of £845,000 in the previous 12-month period.

However, the company, which manufactures and retails computer equipment, is confident of a return to profitability in the current year.

The confidence is based on current trading and manegement forecasts, and Imtec believes "its market lead in the acknowledged growth area of computer aided office and drawing automation" will produce substantial rewards for shareholders in subsequent years.

The group's fundamental financial position remains sound, the directors state, with net assets attributable to shareholders at the year end at £3.6m —approximately 36p per 10p share.

Net turnover for the year was down marginally from £10.51m to £10.46m. Trading profits fell from £1.54m to £304,000 before research and development costs of £993,000 (£922,000) and grants receivable of £108,000 (£225,000).

No final dividend is being paid, leaving the only payment the interim of 0.4p—last year there was a single payment of 1.7p. The group's shares are traded on the Unlisted Securities Market. There was a loss per share of 3.7p compared with earnings of 8.5p in the previous year.

Commenting on the year's figures, the board says the outcome was disappointing. The company has been selling the capability of the Imtec Microplotter and the Imtec AO engineering drawing camera, but these are to ba updated et e later stage into a fully integrated computerised design and drawing office system.

The company did not, however, anticipate the extent to which the market would demand this integrated capacity immediately and, as a consequence, a significant number of major customers have held over orders until it has completed the development of e full range of software packages. The company says it had no choice but to respond to this demand in the market.

# UK COMPANY NEWS

## Established subsidiaries give SHT 67% rise

Although the half year results from Scottish Heritable Trust include a four month contribution from the Hoskins & Horton companies acquired in March, the directors point out that the 67 per cent rise in pre-tax profits was principally achieved by greater profitability from existing subsidiaries.

For the six months to end-June 1985 turnover improved by 37 per cent from £12.34m to £16.88m, and at the pre-tax level profits moved ahead by £539,000 to £1.24m.

In view of the good results, the directors are raising the interim dividend to 1.4p (1.1p), which is covered more than three times by increased earnings of 5.1p per share (4.7p). In 1984 a total of 2.5p was paid on profits of £1.9m.

Current trading is satisfactory, the directors say, although they do not expect the same rate of profits increase in the second half.

The Hoskins companies have integrated well and the sale of the Horton companies to Tilcon Holdings, which was completed on September 2, has benefited the group by £5.3m cash.

These proceeds were received after the six month period and have not been included in the results. The sold companies contributed about £108,000 to group profits in the four months to end-June.

Scottish Heritable is a York-based holding company with interests in property and investment, floorcoverings, building and quarrying and oil and gas development.

It achieved a £677,000 increase in operating profit to £1.68m during the half year, from which there were higher interest charges of £334,000 against £196,000. These charges partly reflect the increased borrowings to finance the Hoskins and Horton acquisition.

The tax charge rose to £394,000 compared with £145,000 to leave net profits ahead at £947,000 (£657,000). Minorities added £11,000 (£14,000), and there were extraordinary charges this time of £135,000, which are entirely due to reorganisation costs at the Hoskins companies.

Attributable profit emerged higher at £823,000 against £671,000, and after a dividend absorption of £298,000 (£159,000), the amount transferred to reserves rose from £512,000 to £525,000.

## Petranol profits soar to £1.85m

Petranol, oil and gas explorer and producer, increased pre-tax profits to £1.85m in the six months to June 30 from £588,000 last time.

The company, floated on the Stock Exchange in February 1984, says full-year results should satisfy shareholders and it expects to pay a bigger final dividend than last year's 1p. Next year's results should be even better, says the directors.

Operating income was up to £4.04m (£771,000). Operating an dother costs were £1.4m £257,000).

Pre-tax profits include exchange translation gains of £779,000 (£210,000), interest charges of £312,000 (credit £10,000) and depletion and depreciation costs of £1.25m (£147,000). The tax charge was nil (nil). Earnings a share were 7.39p (3.09p, adjusted for a one-for-one scrip issue.

## Hartons up nearly 48% to £1.08m

Hartons Group, which has recently failed to take over the Cole Group yesterday announced a near 48 per cent increase in first half profits.

The result, up from £732,000 to £1.08m pre-tax, included a first time £190,000 contribution from the Elson and Robbins Group acquired last December. Hartons is an industrial holding company with interests in plastics, foam and spring assemblies, consumer products and property.

Turnover was more than doubled from £12.3m to £25.44m for the first half of 1985, but the group's overall performance was restricted by the reorganisation of the consumer products division; DIP and Sumner Products lost £366,000.

## Glen Intl. raises Minebea holding

Glen International Financial Services, the investment company headed by Mr Terry Ramsden, yesterday announced that it has increased its holding in Minebea, the Japanese ball bearing maker, by a further 14 per cent.

Last month, Mr Ramsden sold an option to buy his 23 per cent stake in Minebea, held in the form of warrants, to Mr Charles Knapp of California based Trafalgar Holdings.

The deal sparked interest in Minebea shares, which rose sharply in Tokyo on the announcement and speculation that the Japanese company could become the target of a hostile foreign bid.

## Bernard Matthews boosted by meat products growth

CONTINUING growth and cost reductions in the meat products division have boosted both turnover and taxable profits of Bernard Matthews for the 28 weeks ended July 14, 1985. And directors say that prospects for the second half are encouraging with figures continuing to run at record levels.

Sales for the interim period rose from £44.7m to £56.88m while at the pre-tax level the figure surged to £6.28m, compared with £1.02m. The interim dividend is also boosted, from 2.5p to 3.75p per share, last year's final payment being 4p from profits down at £5.1m (£7m).

The directors say that both the company's pork and lamb roasts proved successful following the extension of distribution. During the first half of the year, however, demand for the lamb roast outstripped supply but a recent arrival of the first of regular shipments from New Zealand will help satisfy this demand, the directors point out.

They add that a number of new products were introduced into test markets while development is advanced on a number of others, some of which will be launched later this year.

Pre-tax figure was struck after interest charges of £660,000 (£914,000) and included an exceptional credit of £758,000 comprising the settlement of arbitration proceedings concerning a claim the company began four years ago over the supply of defective raw materials for feed.

After tax of £2.45m (£204,000) earnings came through ahead from £817,000 to £3.83m or 24.02p (5.11p) per share.

Mr Bernard Matthews, chairman

### ● comment

B. Matthews expansion into red meat is growing and with it group dependence on the fickle Xmas turkey market has shrunk from 95 per cent of turnover five years ago to only 10 per cent today. The 12 year deal with the New Zealand Meat Producer's Board for lamb joints has only just started but already demand is more than double what can be supplied. As the NZ facility steps up to full production, which should be reached by mid-1986, and all processing of the lamb is shifted from the UK the margin gains will be significant. Unlike its turkey business, in red meat Matthews only buys what it wants to sell—hence the margin gains reflected in the interim results. The exceptional item is the final payment in settlement of a four year old court case over defective feed and should really be stripped out for comparison purposes. Nevertheless, Matthews is ahead of expectations and the analysts are marking the company up for the year. Pre-tax £11½m should be achieved, which has the shares at 485p and a tax rate of 35 per cent on a prospective p/e of just over 10. Short of violent increases in feed prices or a revival of the "turkey war," this quality brand name can certainly justify a somewhat higher rating.

## BOARD MEETINGS

### TODAY

Interims: A.T.A. Selection, Allied Plant, BL, Bemrose, Britannia Arrow, British Syphon Industries, Business Computer Systems, Cakebread Robey, Cooper Industries, Delaney, Gartmore Information and Financial Trust, J. Hewitt (Fenton), Jones and Shipman, Legal and General, Lowe Howard-Spink Campbell-Ewald, Hugh Mackay, Owen Owen, Paul Michael Leisurewear, Soong, Steel Burrill Jones, Stewart Wrightson, Westwood Dawes, James Wilkes, Woolworth.

Finals: Aerospace Engineering, Manson Finance Trust, Somportex, Trinity International.

### FUTURE DATES

| Interims— | |
|---|---|
| American Electronic Components | Sept 23 |
| Ash and Lacy | Oct 14 |
| Berkeley Exploration and Production | Sept 23 |
| British Home Stores | Oct 16 |
| Camellia Investments | Sept 20 |
| Candover Investments | Sept 28 |
| Clarke, Nickolls and Coombs | Sept 25 |
| Clifford's Dairies | Oct 1 |
| Finlay Packaging | Sept 25 |
| Gates (Frank G.) | Oct 11 |
| Group Lotus | Sept 30 |
| Lilleshall | Oct 2 |
| London Atlantic Invest. Trust | Oct 17 |
| Petrocon | Sept 26 |

# CONTRACTS

## Smiths Industries has Harrier order

McDonnell Douglas Aircraft Co has placed a contract, worth up to £20m according to industry sources, with SMITHS INDUSTRIES AEROSPACE AND DEFENCE SYSTEMS, UK and U.S., for the development of an advanced multi-purpose colour display (MPCD) for the night attack version of the McDonnell Douglas/British Aerospace Harrier II (AV-8B) aircraft. This will result in the production of the first of a new generation of very high performance multi-purpose displays, capable of being viewed both in high ambient daylight conditions and at night in conjunction with night vision goggles. The MPCD will incorporate a number of advanced electronic techniques, in particular a new high performance shadow-mask CRT currently under development. Recent technology demonstrations of the CRT have shown that, for the first time, daylight viewing of both stroke and raster formats can be achieved. Earlier generation CRTs had restricted the practical daytime use of multi-colour display to the display of stroke written symbology.

★

WALTER LAWRENCE & SON has started the construction of a primary school and nursery in Shrewsbury Road, Bayswater, London, W2, on behalf of the Diocese of Westminster, at a cost of £708,000. The "one form" entry primary school and nursery will be a single-storey building with a total floor area of around 10,700 sq ft. Work will also include providing drainage and playgrounds and connected external works. The school, which will be situated at the junction of Westbourne Park Road and Shrewsbury Road, next to the existing adventure playground, is due to be completed in the summer of 1986.

★

PLASTAL COMMERCIAL, the commercial division of Epwin, has been awarded a £2m contract by the Borough of Milton Keynes to supply and install uPVC replacement windows and doors on a housing estate at Bletchley. Believed to be the most valuable single contract ever awarded to a replacement window company by a local authority, it involves 1,014 houses and bungalows and will take a year to complete. All products involved in the contract will be individually made to measure.

★

FAIRCLOUGH BUILDING'S East Anglian division has won the construction contract for a 1,200 sq metre library and classroom block at the Royal Hospital School at Holbrook, near Ipswich. Work has begun on the new structure, which will be formed from concrete and load-bearing brickwork, with a flat timber roof. Due for completion in September 1986, the 57-week contract will also include alterations and refurbishments to existing accommodation, which will be converted to form part of the science facilities. Worth around £745,000 to Fairclough, the project is being undertaken for the director of Greenwich Hospital, London.

★

BALFOUR BEATTY CONSTRUCTION has been awarded two contracts which will be carried out by its central construction unit based at Bramhall, Cheshire. The first, valued at £145,000, was placed by the UK Atomic Energy Authority, and involves the construction of a timber lined reinforced concrete pit within a segmental shaft 10.67 metres internal diameter by 5 metres deep, sunk into the floor of an existing steel frame building at Risley, Warrington. Other work includes duct trenches, brickwork control room, transformer pen and minor alterations to the steel frame. The contract is scheduled for completion in January. The second award, worth £166,000, is a sub-contract to Balfour Kirkpatrick, and involves the construction of 231 mass concrete lighting bases in the central reserve of the M62 motorway between junctions 21 (Milnrow) and junction 22 (Hollingworth), Greater Manchester. The contract is scheduled for completion in mid-October. Both Balfour Beatty Construction and Balfour Kirkpatrick are members of the BICC Group.

★

CROWNGAP DEVELOPMENTS has received planning permission for the first phase of its £1.8m high technology light industrial development at Brambles Farm, Waterlooville, Hants. Designed to a low site development ratio and utilising extensive landscaping to provide a high tech park environment for the scheme, the first phase consists of two buildings of 35,000 and 28,500 sq ft respectively. The buildings feature inclined walls of vertical plank profiled metal cladding, punctuated by office windows at ground and mezzanine levels and sections of curtain walling with reflective glass. Work is due to start immediately with completion scheduled for spring 1986.

★

GEC RELIANCE of Wellingborough, Northants, has won a contract worth more than £1.5m to supply Britain's largest ever private telephone network to the Unilever Group. The digital system will link 40,000 Unilever employees at 250 locations.

# APPOINTMENTS

## Management changes at Rolls-Royce

ROLLS-ROYCE has appointed Mr P. R. Macfarlane as director of corporate planning. He was formerly director of the industrial and marine group at Ansty. Mr F. Turner, previously Rolls-Royce director of manufacturing engineering—supply group, has become director of industrial and marine in his place.

*

Mr Alan Chilton, marketing manager at LONDON WEEKEND TELEVISION, has been appointed director of sales and marketing at SCOTTISH TELEVISION.

*

Mr Ed Barry has been appointed managing director of TRW CAM GEARS, UK. Formerly director, sales and marketing of TRW's steering and suspension division at Sterling Heights, Michigan, U.S., he replaces Mr Jim McCluskey, who has been appointed group vice-president, Far East, TRW automotive worldwide sector.

*

Mr Alec Monk, the chairman and chief executive of the Dee Corporation, has joined the board of the SCOTTISH EASTERN INVESTMENT TRUST as a non-executive director.

*

Mr Philip Hetherington, formerly with McKinsey & Company, has joined THE CORPORATE CONSULTING GROUP.

*

The APC INTERNATIONAL GROUP (incorporating PMI and Rogers Chapman) has appointed Mr Robin Maxwell as secretary and group financial controller. Mr Maxwell takes over from Mr John Scott who retires in October.

*

Mr Francis E. Baring has been appointed an assistant director of BARING BROTHERS & CO. He will be responsible for syndication and sales in the Treasury and trading department.

*

Mr Gordon R. Parker, president of Newmont Mining Corporation, has been appointed a non-executive director of the GOLD FIELDS GROUP from October 1. Mr A. Louw, Mr P. Malozemoff and Mr M. J. Roberts have indicated their intention to retire as directors at the annual meeting on November 7.

*

Mr Michael Gordon has been appointed chairman of TAYLOR WOODROW MANAGEMENT AND ENGINEERING, and Mr Noel Lakin has been appointed deputy chairman in addition to his responsibilities as managing director. Mr Gordon joined Taymel as deputy chairman in January 1984. Currently he is seconded to the Channel Tunnel Group as managing director.

*

LOTUS DEVELOPMENT CORPORATION has promoted Mr Floyd Bradley, formerly European marketing manager, to managing director, Lotus Development (UK).

Mr Seymour Grann, managing director of ROBA (UK), has also been appointed executive director of BRITISH COMMERCIAL TRANSPORT, part of the Baxter Hoare group of freight companies.

*

Mr Sachio Sasabe has been appointed president of NKK (UK). He succeeds Mr Hiroshi Onedera who has returned to Nippon Kokan's head office in Tokyo as senior general manager in charge of the overseas plant and offshore project sales departments. Mr Sasabe was general manager of offshore and special ship sales department in Tokyo.

*

Mr Mike Couzens has been appointed marketing director of PHILIPS BUSINESS SYSTEMS. He joins Philips from NCR, where he was divisional director of the independent marketing division.

*

Mr Ian Schmiegelow, senior vice-president of First National Bank of Chicago.

Mr Ian L. Schmiegelow has joined THE FIRST NATIONAL BANK OF CHICAGO as a senior vice-president and director of First Chicago Limited, London. He was an executive director of Hambros Bank in London, with responsibility for the international issues and banking division.

*

At the annual meeting of the BRITISH VETERINARY ASSOCIATION, Mr Brian Hoskin of Coopers Animal Health was elected president for 1985-86. He is also chairman of the BVA Publications Group, and will chair the 1986 BVA Congress scientific programme sub-committee.

*

Mr W. Keith Palmer has been appointed group managing director of FEDERATED HOUSING. He secceeds Mr Keith Lovelock who resigned as managing directhor on August 31. Mr Palmer was an executive director of Comben Group.

*

Mr Frederick R. Rossiter has been appointed an executive director of McKINLEY SQUARE, ALLSOPP SECURITIES.

Mr G. N. Dawson has been elected to the board of MORGAN GRENFELL & CO.

*

SMITH'S CONTAINERS has restructured its main board. Mr John Simmons has been appointed managing director having previously held the position of manufacturing director for two years. Mr John Elliott, financial director and company secretary at Smith's, has taken on the added responsibility of deputy chairman. Mr Derek Mangnall, previously with Chloride Lorival in Bolton, has been appointed manufacturing director.

Mr John Greenrod has been appointed to the board of MARLEY EXTRUSIONS as technical director.

*

DEWHURST & PARTNER has appointed Mr Richard Melbourne Dewhurst to the board. He was previously with the Ford Motor Company and Ernst & Whinney.

*

Following the acquisition by PIRELLI LTD of Standard Motorists' Centres from Quinton Hazell, it has been decided that the head office functions of SMC will be transferred to the Luton head office of CTC and Supafit. Mr I. J. Ritchie (managing director of SMC) will be responsible for the operation of both Supafit and SMC. In addition to being managing director of SMC, he is appointed managing director, Supafit Tyres & Exhausts from October 1. Mr M. J. Baker, managing director of Supafit, will be leaving at the end of September to go into business on his own account. Mr Baker will assist in the merging of the two companies for a limited period.

*

Mr Leo Jewell, who for the past eleven years has been responsible for product PR for Ansafone, has become managing director of PPS (PEARL PROMOTION SERVICES), a division of Crystal Advertising, based in High Wycombe, Bucks. He will continue to handle product PR for Ansafone's four sales divisions.

*

Mr J. Gary Candle, chief executive of Sonoco U.K., has been appointed chairman of SONOFIT CONTAINERS, the newly-formed solid fibre board container venture between Sonoco U.K. and Smurfit. Sonoco U.K. will also be represented on the new board by Mr Jerry Carr, the new Sonofit Containers' managing director, and Mr Chris Webber. Smurfit U.K. chief executive Mr Malcolm Thomas and executive-directors Mr Mike Clayton and Mr Hugh McCallum will complete the board.

*

THE BANK OF SCOTLAND has appointed Mr T. O. Hutchison as an ordinary director. Mr Hutchison is a director of Imperial Chemical Industries.

Mr Stephen Taunton has been appointed a director of TURNER & NEWALL'S subsidiary TBA Belting and general manager of that company's power transmission division. Mr Taunton was previously marketing and distribution manager of the pipes division of TAC Construction Materials, another T & N subsidiary.

*

Following the election of the founder Mr Frank Gear as president, Mr Peter M. Brown has been appointed to the board and elected chairman of THE RIVERSIDE PRESS. Mr Brown is a director of Associated British Industries, Synergy Holdings, Reward Regional Surveys and The Tripos Group.

*

Mr Trevor J. W. Syrad and Mr Richard A. Corbett have joined the board of BRITISH VENDING INDUSTRIES.

*

Mr Tony Suppersione, formerly a principal manager at STOY HAYWARD London, has been appointed a partner in Stoy Hayward Birmingham and its associated office, Pepper Rudland and Co.

*

MATTHEW BROWN, the North-West regional brewers, has appointed Mr Trevor Green as assistant managing director. Mr Green remains the director in charge of Matthew Brown (Cumbria) and chairman of T. and R. Theakston. Mr Ken Moore, free trade director, joins the group board of Matthew Brown on October 1.

*

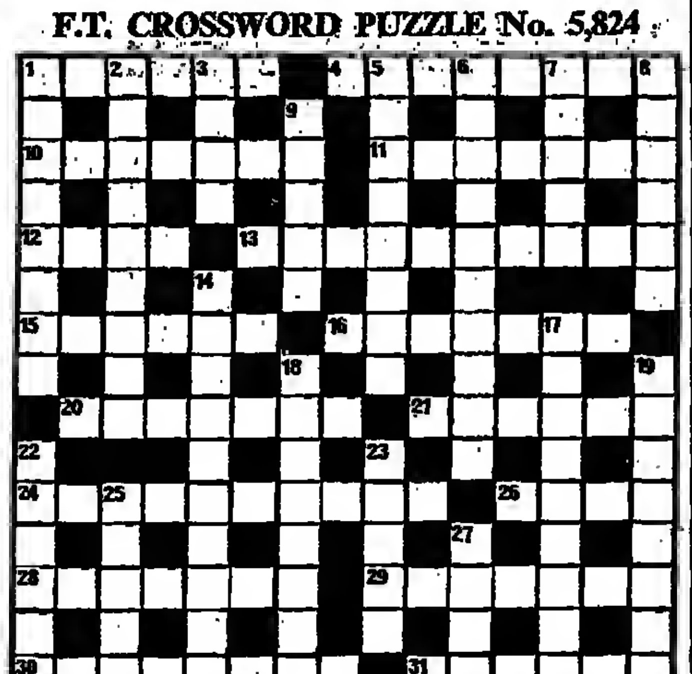
Mr Chris Dyson, personnel director of Golden Wonder

Mr Chris Dyson has been appointed personnel director of GOLDEN WONDER. He was formerly personnel executive at Imperial Foods of which Golden Wonder is a member company. He succeeds Ian Wright who has joined Imperial Foods.

*

Mr Harford Robb has been appointed executive chairman of MUNTON BROTHERS. He was a partner in Arthur Andersen and Co. Mr Alfred Littman has retired.

## F.T. CROSSWORD PUZZLE No. 5,824



**ACROSS**

1 Units I arrange in the the same place (2, 4)
4 Well-ventilated and not stodgy (8)
10 Sort of slippery customer to hit victim? (7)
11 Tar from pitman taking in half area (7)
12 A drink? It's not closed (4)
13 Conformist will prepare for race (3, 3, 4)
15 Demonstrate European wine in EEC mix-up (6)
16 Upset pride in extremes of sanctity? Very thin! (7)
20 Band with iron d-domination? (7)
21 False hair is a change (6)
24 Clinical iodoform, for example (10)
26 King of noble aristocracy (4)
28 Halt! M.B.E. provided here—at the palace (7)
29 Wine representative: "Support our company" (we hear) (7)
30 There's a place for being alone (8)
31 Misty English setting on the links? (6)

**DOWN**

1 Somehow fill date bringing bad luck (3-5)
2 Assume I'm right? Wrong! (to put it briefly) (9)
3 Weed in wildest area of garden (4)
5 Eastern head man gets up, becomes attached to clothes (4-4)
6 Refused cut volume (6,4)
7 Jokey chap in audience for growing quickly? (5)
8 Ball landing under willow (6)
9 Powerful structure (5)
14 Cut to cover recorded here? (5-5)
17 Here, middle of Yorks has different food? (9)
18 Untidy—brick-carrier after mistakes? (8)
19 Harp played, I understand, by Biblical man (8)
22 Leaps to the wine-cellar! (6)
23 This dance is neither here nor there (5)
25 Master in literature shortly arising with foreign language (5)
27 Tax one over the border (4)

**Solution to Puzzle No 5,823**



# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

# AUTHORISED UNIT TRUSTS & INSURANCES

**Pearl Trust Managers Ltd. (a)(g)**
252, High Holborn, WC1V 7EB. 01-405 8441

| | | | | |
|---|---|---|---|---|
| Pearl Growth Fd. | 64.0 | 68.1 | +0.2 | 3.15 |
| Accum Units | 94.7 | 100.7 | +0.4 | 3.18 |
| Pearl Inc. | 89.6 | 95.3 | −0.1 | 5.17 |
| Pearl Unit Tst. | 93.4 | 99.4 | −0.1 | 4.25 |
| (Accum. Units) | 157.9 | 168.0 | −0.2 | 4.23 |

**Perpetual Unit Trust Mngmt. (a)**
48, Hart Street, Henley on Thames. 0491 576868

| | | | | |
|---|---|---|---|---|
| Growth | 186.1 | 199.7 | −0.1 | 1.94 |
| Income | 140.9 | 150.9 | −0.2 | 5.40 |
| Worldwide Recovery | 103.6 | 111.2 | −0.4 | 2.20 |
| American Growth | 54.7 | 58.7 | −0.8 | 0.66 |
| Intl. Emerging Cos. | 58.9 | 62.6 | −0.4 | 0.70 |
| Far East Growth Fd. | 46.7 | 50.1 | −0.5 | 1.0 |

**Prolific Unit Trusts**
222, Bishopsgate, EC2. 01-247 7544/7

| | | | | |
|---|---|---|---|---|
| Prolific Far East | 101.8 | 109.1xd | −1.1 | 0.26 |
| Prolific Extra Inc. | 61.9 | 65.9xd | −0.3 | 6.16 |
| Prolific Gilt Cap. | 82.7 | 86.1 | +0.5 | 3.79 |
| Prolific High Inc. | 133.7 | 142.2 | −0.3 | 5.28 |
| Prolific Intl. | 81.9 | 87.7 | −0.5 | 1.77 |
| Prolific N. Amer. | 111.2 | 119.1 | −1.0 | 2.41 |
| Prolific Spec. Sits | 141.2 | 152.3 | −0.4 | 1.65 |
| Prolific Technology | 96.8 | 103.7 | −0.9 | 1.01 |

**Providence Capitol Fd. Mgrs. Ltd.**
30 Uxbridge Road, London, W12 8PG. 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Trust | 49.6 | 52.5 | −0.1 | — |
| Worldwide | 48.3 | 51.2xd | −0.3 | 1.95 |
| European Trust | 53.0 | 56.1 | +0.5 | 2.14 |
| North American | 48.0 | 50.8 | −0.4 | 2.42 |
| UK Equity | 50.8 | 53.8 | +0.2 | 3.97 |

**Prudential Unit Trust Mngrs Ltd. (a) (b) (c)**
51-69, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

| | | | | |
|---|---|---|---|---|
| Holborn Equity Tst. | 322.5 | 343.0 | −0.3 | 3.71 |
| Holborn European Trust | — | 50.0 | | 1.08 |
| Holborn Gilt Tst. | 155.6 | 162.8 | +0.7 | 0.62 |
| Holborn High Inc. | 54.9 | 58.0xd | | 7.30 |
| Holborn Intl. | 60.9 | 64.7 | −0.4 | 0.42 |
| Holborn Japanese Trust | — | 50.0 | | 0.06 |
| Holborn N. Amer. Trust | — | 50.0 | ..... | 2.27 |
| Holborn UK Growth | 63.8xd | 67.8xd | | 3.20 |

**Quilter Management Co. Ltd.**
31-45 Gresham Street, EC2. 01-600 4177

| | | | | |
|---|---|---|---|---|
| Quadrant Gen. Fd. | 324.9 | 345.7 | ... | 3.71 |
| Quadrant Income | 179.9 | 191.4 | | 5.90 |
| Quadrant Intl. Fund | 296.8 | 112.5 | | 1.53 |
| Quadrant Recovery | 196.9 | 209.5xd | .. | 2.74 |

**TSB Unit Trusts (b) (c) (y)**
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

| | | | | |
|---|---|---|---|---|
| TSB American | 90.6 | 96.4xd | −0.9 | 1.68 |
| Do. Accum. | 94.3 | 100.4 | −0.9 | 1.68 |
| TSB Extra Income | 82.9 | 88.2xd | +0.2 | 6.42 |
| Do. Accum. | 95.4 | 101.5 | −0.1 | 6.42 |
| TSB General | 119.4 | 127.0 | .. | 3.41 |
| Do. Accum. | 191.4 | 205.7 | | 1.41 |
| TSB Gilt & Fxd Int. | 47.3 | 49.3 | +0.4 | 9.40 |
| Do. Accum. | 58.2 | 60.7 | +0.2 | 9.40 |
| TSB Income | 165.9 | 176.9 | +0.2 | 5.01 |
| Do. Accum. | 250.1 | 266.1 | +0.2 | 5.01 |
| TSB Pacific | 101.1 | 107.6 | −0.9 | 0.74 |
| Do. Accum. | 103.6 | 110.3 | −0.9 | 0.34 |
| TSB International | 227.0 | 241.5 | −1.6 | 2.01 |
| Do. Accum. | 276.3 | 294.0 | −1.9 | 2.01 |
| TSB Natural Resources | 44.3 | 47.4 | −0.1 | 2.08 |
| Do. Accum. | 45.0 | 47.9 | −0.1 | 2.08 |
| TSB Sictal Opps. | 46.7 | 49.7xd | | 2.48 |
| Do. Accum. | 50.8 | 54.1 | −0.1 | 2.48 |

**31 & Target Fund Mgrs. Ltd**
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

| | | | | |
|---|---|---|---|---|
| Small Co's Fund | 66.3 | 70.9 | −0.9 | 0.30 |

**Target Trust Mngrs. Ltd. (a)(g)**
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

| | | | | |
|---|---|---|---|---|
| American Eagle | 64.4 | 68.9 | +0.5 | 0.27 |
| Australia | 30.2 | 32.3 | +0.5 | 0.30 |
| Commodity | 85.1 | 91.7 | +0.3 | 2.06 |
| Energy | 39.0 | 42.1 | .. | 0.32 |
| Equity | 100.6 | 107.3 | −0.1 | 3.80 |
| European Spec. Sits. | 55.9 | 59.4 | +0.1 | 0.61 |
| Extra Income | 90.9 | 97.2xd | − | 8.36 |
| Financial | 202.3 | 216.0xd | ..... | 2.64 |
| Gilt Capital | 222.7 | 233.2 | +0.9 | 1.25 |
| Gilt Income | 100.2 | 104.9xd | +0.4 | 0.66 |
| Gold Income | 59.0 | 63.1 | −0.0 | 1.86 |
| Gold Acc. | 106.5 | 113.9 | −0.7 | 1.86 |
| Income | 59.2 | 63.7xd | −0.3 | 5.61 |
| Japan | 44.7 | 47.7xd | −0.2 | 0.10 |
| Malaysia & Singapore | 22.9 | 24.8 | +0.3 | 0.66 |
| Pacific Income | 61.9 | 66.2xd | −0.6 | 0.51 |
| Pacific Re Inv. | 75.8 | 81.1 | −0.7 | 0.51 |
| Preference Share | 16.0 | 17.3xd | . | 10.10 |
| Professional | 489.8 | 522.5 | +1.0 | 2.10 |
| Special Sits | 76.0 | 82.3xd | +0.6 | 1.21 |
| Technology | 38.4 | 41.1 | −0.5 | 0.10 |
| U.S. Special Bond | 49.0 | 52.4xd | | 6.49 |
| Worldwide Capital | 107.7 | 114.9 | −0.1 | 1.83 |
| Equity Exempt Sept 11 | 634.5 | 676.8 | −9.1 | 2.42 |
| Equity Ex Acc Sept 11 | 1166.2 | 1243.9 | −16.7 | 2.42 |

## INSURANCES

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

**World Fund S.A.**
2 Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| World Fund NAV | $11.27 | | — |

**World Wide Growth Management**
10a, Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| Worldwide Gth Fd. | $17.01 | +0.04 | — |

Inv. Adv.: M & G Inv. Mngt., Ltd., London.

**Yamaichi Dynamic Mngt Co SA**
10A, Boulevard Royal, Luxembourg

| | | | |
|---|---|---|---|
| Advanced Tech | $9.11 | −0.09 | — |
| Dynamic Gwth Fd | $8.26 | −0.08 | — |

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **The Charities Deposit Fund** — 77 London Wall, London EC2N 1DB. 01-588 1815 | | | | |
| Deposit | 11.40 | | — | 3-Mth |
| **The Money Market Trust** — 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fnd | 11.19 | 8.16 | 12.39 | 6mth |
| 7-day Fnd | 11.48 | 8.50 | 12.75 | 6mth |
| **Oppenheimer Money Management Ltd** — 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fnd | 11.15 | 8.19 | 12.26 | 6-Mth |
| 7-day Fund | 11.54 | 8.43 | 12.71 | 6-Mth |
| Dollar | | 6.75 | — | 6-Mth |
| Money Mngt Acct | 11.00 | 8.22 | 12.27 | 3-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** — 22 Charlotte Sq. Edinburgh, EH2 4DF. 031-225 8484 | | | | |
| Full Service Chq Acc. | 11.25 | 8.00 | 11.93 | Qtr |
| **Aitken Hume** — 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc. | 11.25 | 8.41 | 12.58 | Qtr |
| Hi. Int. Chq | 11.125 | 8.32 | 11.56 | Mth |
| **Bank of Scotland** — 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Money Mkt Cheque Acc. | 10.85 | 8.11 | 12.01 | Mth |
| **Barclays Prime Account** — PO Box 125, Northampton. 0604 252891 | | | | |
| High Int. Cheque | 11.0 | 8.25 | 12.33 | Qtr |
| **Britannia Investment Services Ltd.** — 29 Finsbury Circus, EC2M 5QL. 01-588 2777 | | | | |
| Cater Allen | 11.13 | 8.32 | 12.34 | Mth |
| **Charterhouse Japhet plc** — 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 11.13 | 8.32 | 12.34 | Mth |
| U.S. Dollar | 7.25 | 7.25 | 7.50 | Mth |
| German Marks | 4.25 | 4.25 | 4.35 | Mth |
| Swiss Francs | 1.50 | 1.50 | 1.51 | Mth |
| Japanese Yen | 5.00 | 5.00 | 5.12 | Mth |
| **Citibank Savings** — St Martins Hse, Hammersmith Grove. 01-748 9252 | | | | |
| Cheque Plus | 9.00 | | 13.30 | Qtr |
| **Co-operative Bank Cheque & Save** — 78-80 Cornhill EC3 01-626 6543. | | | | |
| £500-£2,500 | 9.50 | 7.10 | 10.41 | Qtr |
| £2,500 + | 12.00 | 8.97 | 11.20 | Qtr |
| **Dartington & Co Ltd** — Dartington, Totnes, Devon TQ9 6JE. 0803 862271 | | | | |
| Money Mkt Acc. | 11.00 | 8.22 | 12.27 | Qtr |
| **Edward Manson & Co Ltd** — 9 Henrietta Place W1M 9AG. 01-631 3313 | | | | |
| Cheque Deposit Acc. | 11.50 | 8.59 | 12.98 | Mth |
| **Henderson/Bank of Scotland** — 38 Threadneedle St EC2P 2EH. 01-628 8060 | | | | |
| Money Mkt. Cheque Acc. | 10.85 | 8.11 | 12.01 | Mth |
| **Lloyds Bank PLC** — 71 Lombard St, London, EC3P 3BS. 01-626 1500 | | | | |
| High Int Cheque Account | 11.25 | 0.25 | 12.32 | Qtr |
| **Lombard North Central PLC** — 17 Bruton St, W1A 3DH. 01-409 3434 | | | | |
| 14-Day Notice | 11.500 | 8.596 | 12.280 | — |
| **M & G/Kleinwort Benson** — 91-99 New London Rd, Chelmsford. 0245 51651 | | | | |
| H.I.C.A. | 11.125 | 8.31 | 12.35 | Daily |
| **Midland Bank plc** — PO Box 2, Sheffield. 0742 20999 Ext 8655 | | | | |
| High Int Chq Acc. | 10.70 | 8.00 | 11.92 | Qtr |
| £10,000 + | 11.13 | 8.35 | 12.47 | Qtr |
| **Provincial Trust (formerly Choulartons)** — 30 Ashley Rd, Altrincham, Cheshire. 061-928 9011 | | | | |
| Cheque Acc. | 11.50 | 8.60 | 11.00 | Mth |
| **Royal Bank of Scotland plc** — 24 Lombard St, London EC3V 9BA. 031-557 0201 | | | | |
| Premium Account | 11.0 | 8.22 | 12.27 | Qtr |
| **Save & Prosper/Robert Fleming** — 28 Western Rd, Romford RM1 3LB. 0708 66966 | | | | |
| H.I.B.A. | 10.56 | 7.90 | 11.74 | Daily |
| **Tyndall & Co** — 29-33 Princess Victoria St, Bristol. 0272 732241 | | | | |
| Demand Acc | 11.23 | 8.39 | 12.53 | Qtr |
| Money Acc. | 11.20 | 8.37 | 12.50 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** — Enterprise House, Portsmouth. 0705 827733 | | | | |
| Special Acc. | 11.00 | 8.22 | 12.40 | Mth |
| Over £10,000 | 11.25 | 8.41 | 12.70 | Mth |
| **Western Trust & Savings Limited** — The Moneycentre, Plymouth PL1 1SE. 0752 24141 | | | | |
| High Int Chq Acc. | 11.81 | 8.83 | 13.04 | Qtr |

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % shown in last column allow for all buying expenses. [illegible] Offered prices include all expenses. [illegible] Today's prices. [illegible] Yield based on offer price. [illegible] Estimated. [illegible] Distribution free of UK taxes. [illegible] Periodic premium insurance plans. [illegible] Single premium insurance. [illegible] Offered price includes all expenses except agent's commission. [illegible] Offered price includes all expenses if bought through managers. [illegible] Previous day's price. [illegible] Guernsey gross. [illegible] Suspended. [illegible] Yield before Jersey tax. [illegible] Ex-subdivision. [illegible] Only available to charitable bodies. [illegible] Yield column shows annualised rates of NAV increase. [illegible]

## OPTIONS
### 3-month call rates

| Industrials | p | | p |
|---|---|---|---|
| Allied-Lyons | 28½ | Marks & Spencer | 11 |
| BAT | 32 | Midland Bk | 30 |
| BOC Grp. | 25 | NEI | 8 |
| BSR | 16 | Nat West Bk | 60 |
| BTR | 52 | P & O Dfd | 36 |
| Babcock | 14 | Plessey | 17 |
| Barclays | 48 | Polly Peck | 26 |
| Beecham | 32 | Racal Elect | 18 |
| Blue Circle | 45 | RHM | 11 |
| Boots | 15 | Rank Org Ord | 32 |
| Bowaters | 28 | Reed Intnl | 50 |
| Brit Aerospace | 33 | Sears | 8 |
| Brit. Telecom | 11 | TI | 28 |
| Brown (J.) | 5 | Tesco | 20 |
| Burton Ord | 39 | Thorn EMI | 35 |
| Cadburys | 14 | Trust Houses | 15 |
| Charter Cons. | 18 | Turner Newall | 18 |
| Comm Union | 19 | Unilever | 85 |
| Courtaulds | 12½ | Vickers | 19 |
| Debenhams | 17½ | **Property** | |
| Distillers | 28 | Brit Land | 12 |
| FNFC | 8½ | Cap Counties | 18 |
| Gen Accident | 45 | Land Secs | 25 |
| Gen Electric | 17 | MEPC | 28 |
| Glaxo | 85 | Peachey | 22 |
| Grand Met | 25 | Samuel Props | 14 |
| GUS 'A' | 60 | **Oils** | |
| Guardian | 60 | Brit. Oil & Min | 4 |
| GKN | 17 | Brit Petroleum | 42 |
| Hanson Tst. | 17½ | Burmah Oil | 18 |
| Hawker Sidd. | 36 | Charterhall | 6 |
| ICI | 60 | Premier | 5 |
| 'Imps' | 18 | Shell | 60 |
| Jaguar | 28 | Tricentrol | 18 |
| Ladbroke | 24 | Ultramar | 19 |
| Legal & Gen | 58 | **Mines** | |
| Lex Service | 28 | Cons Gold | 44 |
| Lloyds Bank | 45 | Lonrho | 14 |
| Lucas Inds | 25 | Rio T Zinc | 56 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

## Phibro issues oil options

BY DOMINIC LAWSON

THE FIRST public offering of crude oil warrants was launched yesterday by Phibro-Salomon, the U.S.-backed investment banking and commoditieo trading group.

The warrants will be publicly-quoted options which will give the owner the right to buy or sell crude oil at a specified future date and price.

The offering consists of 16,000 warrants to purchase 1,000 barrels of West Texas intermediate crude oil, and the same amount of warrants to sell 1,000 barries of the oil. West Texas Intermediate is the most widely rtaded U.S. crude oil, with a volume equivalent to up to 20m barrels a day being traded daily on the New York Mercantile Exchango.

The dramatic growth of the NYMEX oil futures market from a standing start in March 1983 is one of the factors behind the Philbro Salomon move.

Warrants give the holder the option to lock in a particular buying or selling price at a most limitod—unlike futures contracts—to the cost of tho premium.

But Ms Rosemary McFadden, the president of NYMEX said yesterday that she did not see the new oil options as a threat to the futures market. She added that NYMEX has laid before the U.S. Commodity Futures Trading Commission a proposal to launcb crude oil options contract linked to the NYMEX oil futures market.

Phibro Salomon believes that the warrants will be particularly attractive to banks and other institutions exposed to oil price risks, who wish to hedge against thoso uncertainties. However, Mr Mike Unsworth, oil analyst at stockbrokers Scott Goff Layton said yesterday that the new investment "Will appeal most of all to speculative private punters."

The warrants are designed also to attract oil companies, particularly refiners, to hedge against future oil price uncertainties. But Mr Andrew Hall, a director of Phibro Energy admitted yesterday that the oil industry would be "bemused" by the new hedging tool.

Philbro-Salomon concedod that there had not been a major "pre-selling campaign, so it was difficult to gaugo the likely public response to the warrants issue, which is planned for a quotation on the Luxembourg stock exchange.

The total volume of the issue —16m barrels—is the same as the daily production ceiling of the Organisation of Petroleum Exporting Countries and Phibro-Salomon has dubbed the new investment "Opac"—or oil puts and calls.

● Tho International Petroleum Exchange (IPE) has called an extraordinary general meeting for the first week in October to finalise the launch of its new crudo oil index futures contract, IPE secretary Peter Wildblood said.

## Fresh twist in Farm Bill battle

BY NANCY DUNNE IN WASHINGTON

DEMOCRATIC CONGRESSMEN are to meet today to consider a radical new measure contained in the proposed 1985 Farm Bill which could take up to 50 per cent of U.S. wheat and feed grains acreage out of production next year.

With debato on the bill scheduled to begin in the House of Representatives on Friday and votes planned for Monday and Thursday, some farmer organisations are urging support for mandatory production controls or, failing that, the scheme put forward by Mr Berkley Bedell, an Iowa Congressman, which got the last-minute approval of the agriculture committee last week.

The "Bedell Plan" calls for a farmer referendum to be held in February in which producers of wheat and feed grains would vote on volutary production cutbacks, the amount of which would be determined by the U.S. Department of Agriculture (USDA). At least 60 per cent of the farmers would have to appprove the plan.

As with the EEC's Common Agriculture Policy, the Bedell Plan would create a two-tiered pricing system for domestic and export grains. The scheme has its attractions for Congress because it passes much of tho farm "programme's costs on to U.S. consumers in the form of higher food prices.

The plan has the support of most of the House leadership, and the labour unions, which have had increasingly close ties with the farmers, are eyeing it with favour.

"If lower priced goods means the end of the family farm, that is a terrible price tag to pay," said a spokesman for the AFL-CIO, the principal labour federation. "Everyone would rather see the Mid-West with a strong economic base. If we have to pay one or two cents more for bread, so be it."

While many of the activist farm groups, like the American Agricultural Movement and the National Farmers Organisation, prefer a mandatory scheme which would require all farmers to drastically limit production, the Bedell Plan has found favour with those who like its voluntary aspects.

Should the farmers approve the plan, those who volutarily cut production would be given non-recourse loans at much higher rate than those proposed under the administratioo's "market oriented approach." Under the Bedell scheme, the loan rato, in essence the domestic price floor, would be set at $4.05 for weat and $3.25 for maize.

## EEC sugar price offer opposed

BY IVO DAWNAY

A PLAN to improve the guaranteed prices paid by the EEC to sugar producing members of the 65-nation African Caribbean and Pacific (ACP) trading bloc looks set to be withdrawn, after objections from several community countries at a meeting of the EEC Council of Agriculture Ministers in Luxembourg this week.

The European Commission had proposed to raise prices, for the 1.3m tonnes of ACP sugar, bought in by the EEC yearly, from the 1.15 per cent increase agreed in June to 1.3 per cent.

This improvement was made, after leaders of the ACP rejected the initial offer as inadequate to sustain their industries in the current climate of depressed prices.

The effect of the proposal was to pay for ACP raw sugar at the rate reserved in the EEC for white sugar support.

But several farm Ministers voiced their opposition to the plan at the meetng. The objections were led by tho UK and West German Ministers who pointed out that such a move, while not adding to farm budget costs, would penalise cane refineries, reduce their profit margins and possibly put plants in jeopardy.

An alternativo plan to aid ACP producer countries, by reducing tho damaging effect of fluctuating currencies nn their receipts is now to be examined by officials.

The Ministers also opened what promised to be controversial discussions on reforms to the Community's sugar regime which centre on increases to the current production levies paid by farmers.

These are supposed to make the system self-financing. However, Commission estimates now calculato that the five-year scheme will have cost tho EEC 400m European currency units by the time the arrangement expires next July.

For "A" quota sugar — broadly equal to each country's consumption — the levy would increase from 2 per cent to 2.5 per cent. The "B" quota surplus production, which enjoys price guarantees and export subsidies, would face a 10 percentago point rise in its levies to 49.5 per cent.

But member states are deeply hostile tn the proposal. While reforming countries such as the UK and the Netherlands would like to see consideration of some measures to cut output, nthers are more concerned over the levels at which the new levies might be fixed.

The French and West Germans, with some support from the Dutch, are strongly opposed to such a high increase for the "B" quota, with Paris in particular favouring either an alternative largor levy rise for "A" quota production or the merging of the two quotas into one.

The Italians are seeking special consideration, while the Belgians would prefer the Ecu 400m loss simply to be written off.

## Peru's mines still short of cash

BY DOREEN GILLESPIE IN LIMA

EXPECTATIONS are running high in Peru's vital mining industry, which accounts for 45 per cent of the country's total exports.

The recently-elected radical nationalist Government of President Alan Garcia bas pledged to givo priority to the industry. But the full extent of the Government's commitment to revitalising this key sector of the economy will not be known until the 1986 budget is released. So far only vague investment incentives have been promised.

According to Sr Luis Alva Castro, the Prime Minister and right-hand man of the 36-year-old President, the Government aims to raise private investment, both foreign and local, in mining. Priority will be given to projects incorporating a variety of products and to those whicb aim tn boost gold production.

The percentage of Peru's total exports accounted for by mineral production has fluctuated, especially as a result of the general decline in international mineral prices during the past three yoars. Nevertheless mining remains the single most important sector in the economy and its revenues determine the extent to which Peru can service its $14bn foreign debt.

During the first six months of 1985 there were small increases in production of copper, zinc, lead and silver as companies sought to cut unit costs by boosting output.

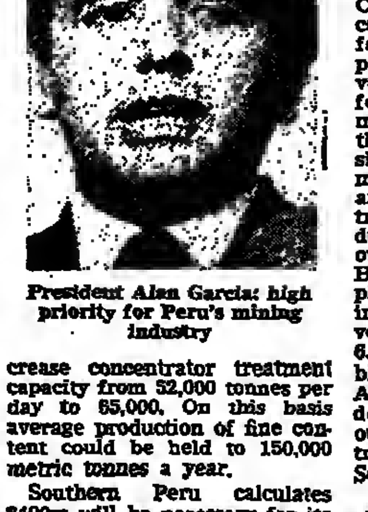
For instance copper exports were up from 168,0000 tonnes to 174,000 tonnes during this period and zinc exports rose in volume from 231,000 tonnes to 240,000 tonnes. But overall export earnings were down owing to low international prices. Metal exports during the first six months were $613m against $733m in the same period of 1984.

Last year the country's vital copper production topped 364,000 tonnes, up 13 per cent on 1983, when the mines were closed down by strikes for two months. Despite difficulties in selling in tho international market, the copper industry here is predicting production to have reached 405,000 tonnes by the end of the year. This view is based on the start up of tho Tintaya copper mine near Cuzco. Output at the mine started in April and the management of Tintaya expects a production of 24,000 tonnos.

Tintaya, with a total investment to date of $326m, is tho first major copper mine to come on stream since 1977. Together with the privately owned Sociedad Minera Gran Bretana's Cotonga mine, it is the only completely new venture likely to come on stream before the end of tha decade. Production of the Tintaya mine more than compensates for the fall at Mineroperu's big Cerro Verde mine which began in 1977. In 1984 production fell from 30,000 tonnes to 28,000 tonnes of cathodes.

Tho state owned Mineroperu has been desperately searching for funds during the past year to finance new development but Peru's strained relations with its international creditors over servicing its debt has mada fresh long term credit almost impossible to find. Mineroperu wants $280m to develop the second stage of Cerro Verde. Given the dealys in finding such funds, it is now likely that Cerro Verde will run out of reserves by October 1986. Against this background Mineroperu is expected to lobby hard for fresh financial support from the Garcia government.

Meanwhilo the U.S. owned Southern Peru Copper Corporation whose Toquepala and Cuajone mines produce two thirds of Peru's copper, is still holding off fro mexpansion of milling capacity, necessary to compensate for falling ore grades. The company estimates $100m is needed at Cuajone to increase concentrator treatment capacity from 52,000 tonnes per day to 65,000. On this basis average production of fine content could be held to 150,000 metric tonnes a year.



President Alan Garcia: high priority for Peru's mining industry

Southern Peru calculates $400m will ho necessary for its Toquepala mine both to upgrade facilities and sustain the 25 year old mine beyond 1994. Thus the kind of investment climate created by the two month old government of President Garcia is going to be of crucial importance in determining such large committments. Sr Alva Castro has so far promised to ensure the "necessary legal stability" for compaines seeking to invest. However, both local private companies and foreign concerns are watching with interest how tho Government behaves with the three oil companies, Occidental, Belco and Bridas, whose contracts were rescinded last month and which will be renegotiated during the next 90 days. Private companies will also be watching closely how the new Government deals with labour, although here it is recognised that mnch of labour unrest in the mines during the past two years has stemmed from problems caused by inflation and cuts in the state budget.

Centromin, the state company operating the former Corro Corporation mines in the central Andes, still accounts for about 20 per cent of copper production. But it remains very short of cash like its fellow state companies. Its main development project in theso circumstances is expansion of tho Andaychagua silver mine. This was begun in 1983 and is dua to cost $41m. Centromin is Peru's largest producer of silver with an annual output of 12m troy ounces. However, private producors play an important part. For instance Cia de Minas Buenaventura last year produced 6.9m troy ounces—by far tho biggest private operation. Against this 29 companies prodoced a total of 53.2m troy ounces, with a further 3.8m troy ounces coming from Southern Peru Copper.

The most intriguing emphasis of the Government's mining policy is the way gold production has been singled out. Peru's gold prodnction and exports have been falling. Last year the country only managed to export 57,600 troy ounces against 90,000 troy ounces in 1983. Now the government hopes to encourage more small scale private operations like in Colombia. That country has successfully boosted gold production by offering a demestic price almost 30 per cent above the international price. This stops illogal exports and gives the Government the option of boosting gold reserves or selling.

## Firm stances taken at coffee pact meeting

PRODUCERS and consumers of coffee were both taking a tough line yesterday in the early stages of negotiations on export quotas for the coming coffee year which starts on October 1, reports Reuter.

As an opening gambit in two weeks of talks at the International Coffee Organisation in London, producing countries proposed a cut in the global export qnota to 55m bags from tho present level of 58m, and a 5 per cent increase in the price range to 125-145 U.S. cents per pound.

Consumers were expected to propose a global quota of 60m bags or more, and an unchanged or slightly reduced price range.

Meanwhila. Mr Abraham Van Overbeeke of the Notherlands, the consumer spokesman, drew an explicit link between consumers' readiness to continue to apply the economic provisions of the International Coffee Agreement with progress on a range of other issues.

In their opening statement, the consumers said any global quota should be set with the aim of avoiding a return to the high prices seen during the past two years. For more than three quarters of the current coffee year, the ICO average price, which has since dropped below 120 cents, was in the opper part of the price range, with tho global quota set at 60m bags.

### Chinese cotton

PEKING—China has taken steps to cut production of cotton sharply because of a huge surplus it cannot sell, according to the New China News Agency.

Reuter

### WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,770-2,855.

BISMUTH: European free market, min. 99.99 per cent, $ per pound, tonne lots in warehouse, 4.35-4.60.

CADMIUM: European free market, min. 99.95 per cent, $ per pound, in warehouse, ingots, 0.74-0.79, sticks, 0.81-0.85.

COBALT: European free market, 99.5 per cent, $ per pound, in warehouse, 11.25-11.40.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 285-293.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per pound Mo, in warehouse, 2.95-3.05.

SELENIUM: European free market, min. 99.5 per cent, $ per pound, in warehouse, 7.25-7.40.

TUNSTEN ORE: European free market, min. 99.5 per cent, $ per pound, in warehouse, 7.25-7.40.

TUNSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO, cif, 67-73.

VANADIUM: European free market, min. 98 per cent VO, other sources, $ per pound VO, cif, 2.12-2.22.

URANIUM: Nnexco exchange value, $ per pound UO, 15.75.

## LONDON MARKETS

COFFEE futures prices moved up strongly yesterday afternoon under the influence of a strongor New York market. The rise which took the November position £38.50 higher to £1,701 a tonne, was foolled by chartist buying and covering against short positions taken oot during the recent decline, dealers said. They were reluctant, however, to read any real strength into the move, which followed a £13 rise on Monday, preferring to see it as evidence that the market had moved from a slightly bearish mood to a slightly bullish one. The London daily raw sugar price was fixed at $136.50 a tonne, $6 below Monday's 21-month high, but futures prices were up a little fellowing the late sell-off on Monday. On the London Metal Exchange stronger sterling helped to push nickel values to fresh 18-month lows.

### ALUMINIUM

| | Unofficial close (p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | 730-1 | +0.5 | — |
| 3 months | 753.5-4 | +1 | 756/7 |

Official closing (am): Cash 726-.5 (731.5-2.5), three months 748.5-9 (755-.5), settlement 726.5 (732.5). Final Kerb close: 756-7. Turnover: 26,050 tonnes.

### COPPER

| Higher grade | Unofficial close £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

Official closing (am): Cash [illegible] (1,051-.5) ... Final Kerb close: [illegible]

| Cathodes | | | |
|---|---|---|---|
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

Official closing (am): Cash 997-9 (1,003-5), three months 1,022-4 (1,029-32), ... Turnover: 20,100 tonnes. U.S. Producer prices 65.5-69 cents a pound.

### LEAD

| | Unofficial close(p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

Official closing (am): Cash 297-.5 ... (302-.5) ... Final Kerb close ... tonnes. U.S. Spot ... cents a pound.

### NICKEL

| | Unofficial close(p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

Official closing (am): Cash 3,320-5 (3,460-5), three months [illegible] (3,505-70). Final Kerb close: [illegible]. Turnover 804 tonnes.

### TIN

| High grade | Unofficial close(p.m.) £ per tonne | + or — | High/low for day |
|---|---|---|---|
| Cash | [illegible] | [illegible] | — |
| 3 months | [illegible] | [illegible] | — |

Official closing (am): Cash 9,180-5 ... (9,123- ...

| Standard | | | |
|---|---|---|---|
| Cash | [illegible] | [illegible] | [illegible] |
| 3 months | [illegible] | [illegible] | [illegible] |

Official closing (am): Cash 9,165-70 (9,170-5), three months 9,111-2 (9,120-5), settlement 9,170 (9,175). Final Karb close: 9,117-18. Turnover: 1,885 tonnes. Straits tin $m 30.05 (29.82) kilo.

### ZINC

| High grade | Unofficial close (p.m.) £ per tonne | + or — | High/low |
|---|---|---|---|
| Cash | 516-7 | +2.5 | — |
| 3 months | 531-3 | +3 | 535.5/7 |

Official closing (am): Cash 515-7 (523-4), three months 523.5-4 (527-.5), settlement 517 (524). Final Karb close: 528.5-7. Turnover: 8,425 tonnes. U.S. Prime Western: 41-41.75 cents a pound.

### GOLD

Gold fell $2 an ounce from Monday's close in the London bullien market yesterday to finish at $317¾-318¼. The metal opened at $318-318½ and traded between a high of $318¾-319¼ and a low of $316¾-317¼. Gold eased from the day's best levels as the dollar showed a late recovery. However trading was thin ahead of Friday's U.S. third quarter GNP flash estimate.

GOLD BULLION (fine ounce) Sept 17

| | | |
|---|---|---|
| Close | $317¾-318¼ | (£236-236½) |
| Opening | $316-318½ | (£237¼-238¼) |
| M'n'g fix | $316.70 | (£237.040) |
| Aft'n'n fix | $317.60 | (£236.134) |

GOLD AND PLATINUM COINS

| | | |
|---|---|---|
| Kr'g'r'nd | $329 332½ | (£240 240½) |
| ½ Krug. | $165½-169 | (£125½-126) |
| ¼ Krug. | $86-86½ | (£64 64½) |
| 1/10 Krug. | $35½-35¾ | (£26¼-26¾) |
| Mapleleaf | $328¼-329¾ | (£244½-245) |
| New Sov. | $75¼-75¾ | (£56-56½) |
| ½New Sov | $46½ 46 | (£34-34½) |
| Old Sov. | $80-81½ | (£59¼-61½) |
| $20 Eagle | $460 500 | (£343¼-373¼) |
| Noble Plat | $315-318½ | (£234¼-23) |

### SILVER

Silver was fixed 4.1p an ounce lower for spot delivery in the London bullion market yesterday at 446.75p. U.S. cent equivalents of the fixing levels were: spot 600.65c, up 1c; three-month 612.7c, up 5.95c; six-month 625.85c, up 1.15c; and 12-month 652.45c, up 1.15c. The metal opened at 447-450p (598-601c) and closed at 443-446p (597-600c).

| SILVER per troy | Bullion Fixing Price | + or — | L.M.E. p.m. Unoffic'l | + or — |
|---|---|---|---|---|
| Spot | 446.75p | -4.10 | 443.75p | -4.75 |
| 3 months | 459.10p | -4.50 | 456.25p | -5.25 |
| 6 months | 471.55p | -4.55 | — | — |
| 12 months | 495.05p | -5.8 | — | — |

LME—Turnover: 54 (258) lots of 10,000 oz.

Three months high 459p, low 456p, final kerb 457-8p.

### RUBBER

PHYSICALS—London closing prices (buyers) for RSS No 1: spot 61.00p (same); October 58.75p (58.50p); November 58.75p (58.50p).

Kuala Lumpur fob price (Malaysia/Singapore cents) per kg RSS No 1 [illegible] (182.5); SMR 20 148.0 (147.5).

### JUTE

JUTE—Raw: September/October shipment c and f Dundee BTC $490, BWC $480, BTD $460, BWD $450; c and f Antwerp BTC $490, BWC $480, BTD $460, BWD $450. Products: c and f Dundee ex-India September shipment 40 in 10 oz £17.81, 40 in 7.5 oz £13.04, B twill £55.73.

## INDICES

### FINANCIAL TIMES

| Sep. 16 | Sep. 13 | M'th ago | Year ago |
|---|---|---|---|
| 254.54 | 253.23 | 251.04 | 287.40 |

(Base: July 1 1952 = 100)

### REUTERS

| Sep. 17 | Sep. 16 | M'th ago | Year ago |
|---|---|---|---|
| 1764.0 | 1757.7 | 1696.9 | 1858.6 |

(Base: September 18 1931 = 100)

### DOW JONES

| Dow Jones | Sept. 16 | Sept. 13 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 112.18 | 111.79 | — | 124.75 |
| Fut. | 114.10 | 115.24 | — | 124.45 |

(Base: December 31 1974 = 100)

## MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| | Sept 17 1985 | + or — | Month ago |
|---|---|---|---|
| **METALS** | | | |
| Aluminium | £1100 | ...... | £1100 |
| Free Mkt | $1005/25 | -10 | $1050/70 |
| Copper | | | |
| Cash h Grade | £1011 | -19 | £1006 |
| 3 mths | £1036.15 | -12.25 | £1031.75 |
| Gold Troy oz | $318 | -2 | $334.75 |
| Lead Cash | £297.5 | -2.0 | £296 |
| 3 mths | £302.75 | -0.75 | £298.75 |
| Nickel | | | |
| Free Mkt | 205/225c | -6 | 222/242c |
| Palladium oz | $96.70 | -1.8 | $106.00 |
| Platinum oz | $306.25 | -4.25 | $328.00 |
| Quicksilvert | $280/300 | -5 | $280/300 |
| Silver troy oz | 446.75p | -4.10 | 447.15p |
| 3 months | 459.10p | -4.50 | 459.45p |
| Tin cash | £9177.5 | +20 | £9102.5 |
| 3 months | £9116.5 | +5 | £9057.5 |
| Tungsten | $67.39 | ...... | $72.02 |
| Wolfram 22.0lb | $65/70 | ...... | $65/70 |
| Zinc | £616 | +2.5 | £534 |
| 3 months | [illegible] | [illegible] | [illegible] |
| Producers | [illegible] | | [illegible] |
| **OILS** | | | |
| Coconut (Phil) | [illegible] | [illegible] | [illegible] |
| Palm Malayan | [illegible] | [illegible] | [illegible] |
| **SEEDS** | | | |
| Copra Phil | $260z | ...... | $310 |
| Soyabean (U.S.) | $215.1 | -0.4 | $212.75 |
| **GRAINS** | | | |
| Barley Fut. Nov. | £104.85 | +0.20 | £105.58 |
| Maize | £131.00y | ...... | £135.40 |
| Wheat Fut. Nov. | £105.45 | +0.50 | £102.85 |
| No. 2 Hard Wint. | ‡ | | ‡ |
| **OTHERS** | | | |
| Cocoa Ft. Dec. | £1766 | +8.5 | £1717.5 |
| Coffee Ft. Nov. | £1701 | +38.5 | £1717.5 |
| Cotton A index | 58.60c | -0.30 | 58.60c |
| Gas Oil Nov. | $239.5 | +1.75 | $232 |
| Rubber (kilo) | 61.0p | ...... | 62p |
| Sugar (raw) | $136.9z | -6 | $116 |
| Wooltops 64s | 428p kilo | ...... | 427p kilo |

‡ Unquoted. z Sept-Oct. y Oct. † Per 76-lb flask. c Cents per pound.

### COCOA

Futures opened unchanged but eased later on light trade selling before rallying during the afternoon to close fully steady at the highs of the day. Physical interest was limited to light consumer offtake in the forward positions. Producers were withdrawn and second-hand activity was negligible, reports Gill and Duffus.

| COCOA | Yesterday's Close £ per tonne | + or — | Business Done |
|---|---|---|---|
| Sept. | 1740-1749 | +4.5 | 1745-1748 |
| Dec. | 1765-1767 | +9.5 | 1766-1776 |
| March | 1812-1813 | +8.0 | 1814-1798 |
| May | 1827-1828 | +8.6 | 1827-1817 |
| July | 1832-1836 | +6.5 | 1835-1830 |
| Sept. | 1841-1843 | +13.5 | 1841-1854 |
| Dec. | 1839-1843 | +8.5 | 1845-1855 |

Sales: 3,927 (4,852) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for September 17: 104.61 (104.62); five-day average for September 18: 103.62 (103.04).

### COFFEE

In thin conditions gains of £28 were established as mixed buying interest fuelled a gradual advance, reports Drexel Burnham Lambert. Activity picked up during the afternoon when gains were extended as technical based buying encouraged a steady close.

| COFFEE | Yesterday's Close | + or — | Business Done |
|---|---|---|---|
| Sept. | 1655-1660 | +30.0 | 1658-1685 |
| Nov. | 1700 1702 | +38.5 | 1702-1666 |
| Jan. | 1745 1750 | +50.5 | 1749-1685 |
| March | 1775-1780 | +50.0 | 1775-1772 |
| May | 1800 1805 | +56.5 | 1800-1770 |
| July | 1815-1825 | +30.0 | 1812-1785 |
| Sept. | 1815-1850 | +17.5 | — |

Sales: 2,138 (708) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for September 16: Comp daily 1979 117.85 (117.23); 15-day average 118.56 (118.06).

### GRAINS

Wheat opened 50p up on September and rallied sharply on short-covering to trade £1.00 up. Forwards reached new contract highs and remained steady in active trading to close just off the day's highs. September barley rallied on a stronger physical market but generally saw quieter trade, reports Muirpace.

| Mnth | WHEAT Yesterd'ys close | + or — | BARLEY Yesterdys close | + or — |
|---|---|---|---|---|
| Sept. | 105.50 | +0.85 | 103.60 | +0.80 |
| Nov. | 105.45 | +0.50 | 104.85 | +0.20 |
| Jan. | 108.40 | +0.55 | 108.20 | +0.10 |
| Mar. | 111.40 | +0.55 | 111.90 | +0.10 |
| May | 114.55 | +0.60 | 114.10 | — |
| July | 116.50 | — | — | — |

Business done—Wheat: Sept 105.85-5.15, Nov 105.50-5.30, Jan 108.45-8.30, Mar 111.50-1.30, May 114.55 only, July 116.50 only. Sales: 520 lots of 100 tonnes. Barley: Sept 103.75-3.40, Nov 105.05-4.85, Jan 108.50-8.25, Mar 111.55-1.35, May 114.30-4.15. Sales: 199 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. dark northern spring no 1 15 per cent. Oct 128.25, Nov 130, Dec 131.55 transhipment east coast. U.S. no 2 soft red winter Oct 111.25, Nov 113.50, Dec 114.50 sellers. EC Sept 118.00. English feed fob Oct/Dec 107.50-108, Jan/Mar 113.50, April/June 116.25, Jan/June 116.50 paid east coast, Sept 105-106 sellers. Maize: U.S. no 3 yellow/French transhipment east coast Oct 1-10 131, Nov/Dec 133. Barley: English feed fob first-half Oct 105 paid east coast, Oct/Dec 107.25 paid Scotland, Sept 102.50-103.00, Oct 105 seller, Oct/Dec 107.25 bid. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S East 96.90, S West 96.20, W Mids 95.60, N East 95.50. The UK monetary coefficient for the week beginning Monday September 18 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

### MEAT

PIGMEAT—Nearby positions moved higher, albeit in light volume, in expectation of light physical supplies. The November position closed at a new contract high, reports CCST Commodities.

| Month | Yesterday's close | Previous close | Business done |
|---|---|---|---|
| | p. per kilo (deadweight) | | |
| Oct. | 115.60 | 115.30 | — |
| Nov. | 117.30 | 116.70 | 117.5-117.8 |
| Feb. | 103.40 | 103.40 | 103.70 |
| April | 104.40 | 104.50 | — |
| June | 103.20 | 103.20 | 103.00 |
| Aug. | 101.95 | 101.80 | — |

Sales: 26 (63) lots of 50 carcases, 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.34p per kg lw (+0.01). GB—Sheep 148.75p per kg est dcw (+4.62). GB—Pigs 80.80p per kg lw (—0.82).

### POTATOES

The market was lower again on better weather and some reports of reasonable yields although prospects are still patchy overall. The differential on November and April continued to [illegible], reflecting concern about end of season stocks, reports Coley and Harper.

| Month | Yesterday's close | Previous close | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Nov. | [illegible] | [illegible] | [illegible] |
| Feb. | [illegible] | [illegible] | [illegible] |
| Apr. | [illegible] | [illegible] | [illegible] |
| May | [illegible] | [illegible] | [illegible] |

Sales: [illegible] lots of 40 tonnes.

### SOYABEAN MEAL

The market opened £1 higher on commercial buying, reports T. G. Roddick. Prices moved higher on a steady cash market and commission house interest.

| | Yesterday's close | + or — | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| October | [illegible] | [illegible] | [illegible] |
| Dec. | [illegible] | [illegible] | [illegible] |
| Feb. | [illegible] | [illegible] | [illegible] |
| April | [illegible] | [illegible] | [illegible] |
| June | [illegible] | [illegible] | [illegible] |
| August | [illegible] | [illegible] | [illegible] |
| October | [illegible] | [illegible] | [illegible] |

Sales: 302 (8,089) lots of 20 tonnes.

### SUGAR

LONDON DAILY PRICE—Raw sugar $136.50 (£[illegible]), a tonne for Sept-Oct delivery, [illegible] £5.50. White sugar $178.50, up $4.00.

Prices [illegible] ... $156 ... reports C. Czarnikow.

| No. 6 Contract | Yest'day's close | Previous close | Business Done |
|---|---|---|---|
| | $ per tonne | | |
| Oct. | [illegible] | [illegible] | [illegible] |
| Dec. | [illegible] | [illegible] | [illegible] |
| Mar. | [illegible] | [illegible] | [illegible] |
| May | [illegible] | [illegible] | [illegible] |
| Aug. | [illegible] | [illegible] | [illegible] |
| Oct. | [illegible] | [illegible] | [illegible] |

Sales: 2,468 (3,618) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £200.00 (£212.50) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for Sept 16: Daily price 5.40 (5.04); 15-day average 5.01 (4.94).

PARIS—(FFr per tonne): Dec 1538-1550, Mar 1572-1573, May 1610-1613, Aug 1650-1665, Oct 1710-1720, Dec 1750-1770.

## U.S. MARKETS

PRECIOUS METALS generally weakened as the lack of fresh news and dollar strength encouraged fresh selling, reports Heinold Commodities. Copper and aluminium recovered from sharp losses early in the session as light trade buying emerged. Sugar valnes came under modest selling pressure awaiting fresh cash interest. Despite a reduction in Bahian arrivals, cocoa prices maintained a tight range. Coffee firmed on technical short-covering linked to reports that producers had requested a lower quota and higher price range. The lack of speculative intorest kept cotton values in a tight range The energy complex gained ground on short-covering ahead of the trade stocks report which is generally expected to show low U.S. stocks distillate and crude. The grain complex firmed with reports of commercial buying and export interest in wheat. The soyabean complex rallied o nrumonrs of Soviet purchases of soyameal.

### NEW YORK

COCOA 10 tonnes, $/tonnes

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Dec | 2186 | 2189 | 2167 | 2178 |
| March | 2245 | 2247 | 2229 | 2229 |
| May | 2272 | 2272 | 2251 | 2252 |
| July | 2280 | 2282 | 2276 | 2271 |
| Sept | 2300 | — | — | 2280 |
| Dec | 2308 | 2300 | 2295 | 2287 |

COFFEE "C" 37,500 lb, cents lb: [illegible]

COPPER 25,000 lb, cents/lb: [illegible]

COTTON 50,000 lb, cents/lb: [illegible]

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels: [illegible]

GOLD 100 troy oz, $/troy oz: [illegible]

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons: [illegible]

ORANGE JUICE 15,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 134.95 | 137.80 | 135.00 | 137.80 |
| Nov | 133.45 | 134.30 | 133.10 | 134.00 |
| Jan | 129.15 | 128.10 | 129.00 | 130.00 |
| March | 125.75 | 127.25 | 126.30 | 127.50 |
| May | 125.10 | — | — | 125.90 |
| July | 124.60 | — | — | 125.50 |

PLATINUM 50 troy oz, $/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 298.5 | 305.5 | 305.5 | 308.8 |
| Oct | 299.0 | 312.0 | 298.0 | 309.1 |
| Jan | 300.5 | 313.0 | 299.9 | 310.1 |
| April | 305.0 | 318.0 | 303.8 | 314.5 |
| July | 310.0 | 318.5 | 316.0 | 319.4 |
| Oct | 316.3 | — | — | 324.9 |

SILVER 5,000 troy oz, cents/troy oz

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 592.0 | 602.5 | 592.0 | 602.4 |
| Oct | 593.8 | — | — | 604.2 |
| Nov | 597.8 | — | — | 608.7 |
| Dec | 602.8 | 613.0 | 602.0 | 612.5 |
| Jan | 606.9 | 616.9 | 610.0 | 618.9 |
| March | 615.5 | 625.5 | 615.0 | 626.7 |
| May | 624.3 | 635.0 | 623.5 | 634.7 |
| July | 634.0 | 640.0 | 638.0 | 644.8 |
| Sept | 644.0 | 653.5 | 646.0 | 654.8 |
| Dec | 659.4 | — | 664.0 | 670.0 |

SUGAR WORLD "11" 112,000 lb, cents/lb

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Oct | 5.25 | 5.47 | 5.21 | 5.38 |
| Jan | 5.45 | 5.63 | 5.44 | 5.56 |
| March | 5.87 | 6.10 | 5.83 | 5.98 |
| May | 6.03 | 6.25 | 5.98 | 6.08 |
| July | 6.21 | 6.42 | 6.20 | 6.31 |
| Oct | 6.66 | 6.82 | 6.60 | 6.75 |
| Jan | 6.94 | 7.25 | 7.20 | 7.05 |

### CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Oct | 55.85 | 56.15 | 55.32 | 55.85 |
| Dec | 58.80 | 59.07 | 58.35 | 58.65 |
| Feb | 57.27 | 57.65 | 57.97 | 57.27 |
| April | 58.27 | 58.65 | 57.95 | 58.17 |
| June | 59.22 | 59.60 | 59.00 | 59.35 |
| August | 59.00 | 58.50 | 58.00 | 58.00 |

LIVE HOGS 30,000 lb, cents/lb: [illegible]

MAIZE 5,000 bu min, cents/56 lb-bushel: [illegible]

PORK BELLIES 38,000 lb, cents/lb: [illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel: [illegible]

SOYABEAN MEAL 100 tons, $/ton: [illegible]

SOYABEAN OIL 60,000 lb, cents/lb: [illegible]

WHEAT 5,000 bu min, cents/60lb-bushel: [illegible]

SPOT PRICES—Chicago loose lard [illegible] cents per pound. Handy and Harman silver bullion [illegible] cents per troy ounce.

### OIL

[illegible]

SPOT PRICES

| | Latest | Change + or — |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel)—Oct. | | |
| Arab Light | [illegible] | [illegible] |
| Arab Heavy | [illegible] | [illegible] |
| Dubai | [illegible] | [illegible] |
| Brent Blend | [illegible] | [illegible] |
| W.T.I. (1 pm est) | [illegible] | [illegible] |
| Forcados (Nigeria) | [illegible] | [illegible] |
| Urals (cif NWE) | [illegible] | [illegible] |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | [illegible] | [illegible] |
| Gas Oil | [illegible] | [illegible] |
| Heavy fuel oil | [illegible] | [illegible] |
| Naphtha | [illegible] | [illegible] |

Petroleum Argus estimates

GAS OIL FUTURES

| Month | Yest'day's close | + or — | Business Done |
|---|---|---|---|
| | $ U.S. per tonne | | |
| Oct. | [illegible] | [illegible] | [illegible] |
| Nov. | [illegible] | [illegible] | [illegible] |
| Dec. | [illegible] | [illegible] | [illegible] |
| Jan. | [illegible] | [illegible] | [illegible] |
| Feb. | [illegible] | [illegible] | [illegible] |

Turnover: 1,619 (1,858) lots of 100 tonnes.

### FREIGHT FUTURES

Futures opened lower and remained easier throughout the morning. A steadier influence developed in the afternoon, albeit in quiet trading [illegible] ... Baltic Freight Index was 760.5, up 1.0.

| | Close | High/Low | Prev |
|---|---|---|---|
| Oct. | [illegible] | [illegible] | [illegible] |
| Jan. | [illegible] | [illegible] | [illegible] |
| April | [illegible] | [illegible] | [illegible] |
| July | [illegible] | [illegible] | [illegible] |
| Oct. | [illegible] | [illegible] | [illegible] |
| Jan. | [illegible] | [illegible] | [illegible] |
| April | [illegible] | [illegible] | [illegible] |
| July | [illegible] | [illegible] | [illegible] |
| BFI | [illegible] | [illegible] | [illegible] |

Turnover: 87 (109).

# CURRENCIES, MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar nervous ahead of GNP

The dollar fluctuated in nervous trading yesterday with traders unwilling to make any real commitment ahead of Friday's U.S. third-quarter GNP flash estimate. The U.S. unit finished slightly up on the day, having earlier fallen below DM 2.88 against the D-mark. However after briefly slipping below DM 2.87 to a low of DM 2.8670, the dollar attracted buying interest and as a consequence it recovered to close at DM 2.8920 up from DM 2.8840 on Monday.

Earlier in the day the dollar's weaker trend had been attributed to disappointment over the latest set of U.S. economic statistics which the market had hoped would show a clear improvement in economic growth.

Against this background the dollar always seemed likely to fluctuate in the absence of any clear trend ahead of Friday's figures. It closed at SwFr 2.3800 from SwFr 2.3820 and Y241.65 compared with Y241.35. Against the French franc it rose to FFr 8.81 from FFr 8.7875. On Bank of England figures, the dollar's exchange rate index fell to 140.0 from 140.8.

STERLING—Trading range against the dollar in 1985 is 1.4290 to 1.0525. August average 1.3838. Exchange rate index 81.1 up from 80.8 on Monday and compared with 72.0 six months ago.

*Sterling remained on the sidelines for much of the day and finished slightly firmer on its exchange rate index.* A late dollar movement was not reflected however and late quotations showed sterling slightly weaker overall. It fell against the dollar to $1.3390-$1.3400, a fall of 35 points, and was also weaker against the Swiss franc at SwFr 3.1875 compared with SwFr 3.20. It rose against the D-mark to DM 3.8750 from DM 3.8725 and was unchanged in terms of the French franc at FFr 11.80. It fell against the yen to Y323.75 from Y324.0.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7425. August average 2.7936. Exchange rate index 125.5 against 118.4.

The dollar was fixed at DM 2.8784 at yesterday's fixing in Frankfurt down from DM 2.9158 and there was no intervention by the Bundesbank. Trading was confined to a relatively narrow range for much of the morning although disappointment in the latest set of U.S. economic statistics pushed the dollar below DM 2.88. The dollar closed at DM 2.8725 from DM 2.9087½.

### STERLING INDEX

| | Sept 17 | Previous |
|---|---|---|
| 8.30 am | 80.7 | 80.7 |
| 9.00 am | 80.8 | 80.6 |
| 10.00 am | 81.0 | 80.5 |
| 11.00 am | 80.9 | 80.6 |
| Noon | 80.9 | 80.7 |
| 1.00 pm | 81.0 | 80.8 |
| 2.00 pm | 81.0 | 80.6 |
| 3.00 pm | 81.0 | 80.7 |
| 4.00 pm | 81.1 | 80.8 |

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu September 11 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.8320 | 44.9934 | +0.36 | +0.73 | ±1.5425 |
| Danish Krone | 8.12857 | 8.05805 | −0.87 | −0.50 | ±1.6421 |
| German D-mark | 2.23840 | 2.22743 | −0.49 | −0.12 | ±1.1455 |
| French Franc | 6.86402 | 6.78930 | −1.09 | −0.72 | ±1.3654 |
| Dutch Guilder | 2.52208 | 2.50342 | −0.14 | −0.37 | ±1.5162 |
| Irish Punt | 0.724578 | 0.716093 | −1.17 | −0.50 | ±1.6673 |
| Italian Lira | 1520.60 | 1494.91 | −1.71 | −1.71 | ±4.0856 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| | Sept. 11 | Prev. close |
|---|---|---|
| £ Spot | $1.3380-1.3410 | $1.3460-1.3480 |
| 1 month | 0.39-0.36 pm | 0.38-0.34pm |
| 3 months | 1.06-1.01 pm | 1.05-1.00pm |
| 12 months | 2.75-2.65 pm | 2.80-3.10pm |

Forward premiums and discounts apply to the U.S. dollar

### POUND SPOT—FORWARD AGAINST POUND

| Sept 17 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.3360-1.3490 | 1.3390-1.3400 | 0.40-0.37 cpm | 3.45 | 1.04-0.99 pm | 3.02 |
| Canada | 1.8410-1.8525 | 1.8410-1.8440 | 0.46-0.37 cpm | 2.70 | 1.06-0.92 pm | 2.23 |
| Nethlnd. | 4.32¼-4.36¼ | 4.35¼-4.36¼ | 2½-2 cpm | 5.86 | 6-5¾ pm | 0.39 |
| Belgium | 77.81-78.30 | 77.95-78.05 | 22-16 cpm | 2.92 | 52-39 pm | 2.33 |
| Denmark | 13.89½-14.03¾ | 13.93½-13.94½ | 4-3 ore pm | 3.01 | 10½-9¼ pm | 2.70 |
| Ireland | 1.2422-1.2481 | 1.2422-1.2432 | 0.28-0.11 ppm | 1.79 | 0.62-0.28 pm | 1.45 |
| W. Ger. | 3.86¾-3.88 | 3.87-3.88 | 2¼-2¼ pf pm | 7.15 | 6¾-6¼ pm | 6.71 |
| Portugal | 230½-234 | 230¾-233¼ | 85-405 c dis | −12.14 | 420-1435dis | −15.97 |
| Spain | 228¾-229¾ | 229-229¾ | 5 cpm-30 dis | −0.65 | 20-125 dis | −1.27 |
| Italy | 2580¾-2606¼ | 2583½-2584½ | 1 lire pm-4 dis | −0.70 | 4-11 dis | −1.16 |
| Norway | 11.28½-11.33¾ | 11.29¾-11.30¾ | ½-1½ ore dis | −0.86 | 2¾-3½ dis | −1.05 |
| France | 11.72¾-11.82¾ | 11.79½-11.80½ | 2¾-1½ c pm | 1.84 | 4½-2¾ pm | 1.19 |
| Sweden | 11.26-11.42¾ | 11.35-11.36 | 3¼-4¼ ore dis | −4.29 | 10½-11¼ dis | −3.85 |
| Japan | 322½-325¾ | 323¼-324¼ | 1.45-1.35 y pm | 5.19 | 4.00-3.85 pm | 4.85 |
| Austria | 27.11-27.18 | 27.11-27.15 | 15½-14½ gro pm | 6.56 | 42¼-38¼ pm | 5.93 |
| Switz. | 3.17¾-3.19¾ | 3.18¾-3.19¾ | 2-1¾ c pm | 7.29 | 5½-5¼ pm | 6.57 |

Belgian rate is for convertible francs. Financial franc 78.20-78.30. Six-month forward dollar 1.79-1.74c pm. 12-month 2.80-2.65c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Sept 17 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.3360-1.3490 | 1.3390-1.3400 | 0.40-0.37 c pm | 3.45 | 1.04-0.99 pm | 3.03 |
| Ireland† | 1.0745-1.0838 | 1.0775-1.0790 | 0.20-0.10 c pm | 1.67 | 0.55-0.30 pm | 1.57 |
| Canada | 1.3740-1.3769 | 1.3763-1.3768 | 0.07-0.10 c dis | −0.74 | 0.28-0.33dis | −0.89 |
| Nethlnd. | 3.2250-3.2530 | 3.2520-3.2530 | 0.66-0.63 c pm | 2.39 | 1.96-1.92 pm | 2.40 |
| Belgium | 58.00-58.34 | 58.20-58.30 | 2-3 c dis | −0.52 | 11-13 dis | −0.83 |
| Denmark | 10.38½-10.48 | 10.40½-10.41 | ¼-½ ore dis | −0.58 | ½-1½ dis | −0.31 |
| W. Ger. | 2.8670-2.8925 | 2.8915-2.8925 | 0.94-0.89 pf pm | 3.81 | 2.72-2.67 pm | 3.74 |
| Portugal | 172½-174 | 172½-173½ | 100-350 c dis | −15.56 | 450-1200dis | −19.02 |
| Spain | 170.00-171.15 | 170.70-170.90 | 45-70 c dis | −4.04 | 150-225 dis | −4.39 |
| Italy | 1925-1934½ | 1928½-1929½ | 7-8 lire dis | −4.68 | 21-22½ dis | −4.50 |
| Norway | 8.40-8.45 | 8.43½-8.44 | 3-3½ ore dis | −4.45 | 8½-9 dis | −4.18 |
| France | 8.74½-8.81¼ | 8.80¼-8.84 | 1½-11¼ c dis | −1.71 | 3½-4½ dis | −1.79 |
| Sweden | 8.46¼-8.50½ | 8.47½-8.48 | 5¼-5½ ore dis | −7.80 | 14½-14¾ dis | −5.89 |
| Japan | 241.00-241.80 | 241.60-241.70 | 0.38-0.34 y pm | 1.79 | 1.15-1.10 pm | 1.86 |
| Austria | 20.14¾-20.29¼ | 20.19-20.21 | 5½-4¾ gr pm | 3.04 | 16-13½ pm | 2.92 |
| Switz. | 2.3575-2.3845 | 2.3795-2.3805 | 0.79-0.74 c pm | 3.86 | 2¼-2¼ pm | 3.88 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 58.35-58.45.

### OTHER CURRENCIES

| Sept 17 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Austl. | 1.0758-1.0778 | 0.8000-0.8010 | Austria | 27.00-27.30 |
| Australia Dollar | 1.9615-1.9655 | 1.4600-1.4615 | Belgium | 78.20-79.00 |
| Brazil Cruzeiro | 10,032-10,085 | 7,460-7,495 | Denmark | 13.94-14.06 |
| Finland Markka | 8.1716-8.1010 | 6.0970-6.0990 | France | 11.75-11.88 |
| Greek Drachma | 183.67-181.66 | 136.89-139.73 | Germany | 3.85-3.89 |
| Hongkong Dollar | 10.6115-10.5265 | 7.8175-7.8195 | Italy | 2580-2615 |
| Iran Rial | 120.85* | 89.75* | Japan | 324-328 |
| KuwaitDinar(KD) | 0.4100-0.4110 | 0.30515-0.30525 | Netherlands | 4.32½-4.36½ |
| LuxembourgFr. | 77.95-78.05 | 58.20-58.30 | Norway | 11.26-11.40 |
| Malaysia Ringgit | 3.3480-3.3510 | 2.4860-2.4880 | Portugal | 225-240 |
| NewZealand Dlr. | 2.5425-2.5500 | 1.8920-1.8955 | Spain | 221-232 |
| Saudi Arab Riyal | 4.9095-4.9170 | 3.6510-3.6510 | Sweden | 11.32-11.43 |
| Singapore Dollar | 2.9390-2.9610 | 2.1850-2.1950 | Switzerland | 3.17½-3.20½ |
| Sth African Rand | 3.2640-3.2800 | 2.4240-2.4360 | United States | 1.33¼-1.35¼ |
| U.A.E. Dirham | 4.9360-4.9440 | 3.6720-3.6730 | Yugoslavia | 415-465 |

* Selling rate.
Rand Financial Rate: 2.5640-2.6315 ($) and 3.4625-3.5435 (£)

### CURRENCY MOVEMENTS

| Sept. 17 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling | 81.1 | −9.1 |
| U.S. dollar | 140.0 | +07.0 |
| Canadian dollar | 85.8 | −8.1 |
| Austrian schilling | 115.6 | +4.4 |
| Belgian franc | 90.8 | −10.7 |
| Danish Kroner | 79.4 | −5.3 |
| Deutsche mark | 125.5 | +6.1 |
| Swiss franc | 146.3 | +11.6 |
| Guilder | 118.7 | +4.4 |
| French franc | 67.0 | −13.0 |
| Lira | 44.0 | −20.6 |
| Yen | 166.7 | +13.6 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### CURRENCY RATES

| Sept. 17 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.759460 | 0.575214 |
| U.S.$ | 7½ | 1.02041 | 0.774613 |
| Canadian $ | 9.27 | * | 1.06400 |
| Austria Sch. | 4 | 20.6356 | 15.6590 |
| Belgian Fr. | 9½ | 59.4186 | 44.9934 |
| Danish Kr | 7 | 10.6301 | 8.05805 |
| D mark | 4 | 2.93716 | 2.22743 |
| Guilder | 5 | 3.30015 | 2.50348 |
| French Fr. | 9½ | 8.95869 | 6.78930 |
| Lira | 15½ | N/A | 1494.61 |
| Yen | 5 | 246.072 | 187.040 |
| Norway Kr. | 8 | 8.59642 | 6.52554 |
| Span'h Pta. | — | 174.132 | 132.183 |
| Swedish K. | 10½ | 8.64287 | 6.56460 |
| Swiss Fr. | 4 | 2.42368 | 1.83770 |
| Greek Dr'ch | 20½ | 140.919 | 106.699 |
| Irish Punt | 13¼ | 0.943078 | 0.716093 |

*C$/SDR rate for September 16: 1.39643

### EXCHANGE CROSS RATES

| Sept. 17 | Pound St'ling | U.S. Dollar | Deutschemk. | J'panese Yen | FrenchFranc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.340 | 3.875 | 325.8 | 11.80 | 3.188 | 4.358 | 2584. | 1.843 | 78.00 |
| U.S. Dollar | 0.747 | 1. | 2.892 | 241.7 | 8.810 | 2.380 | 3.253 | 1929. | 1.376 | 58.25 |
| Deutschemark | 0.258 | 0.346 | 1. | 83.58 | 3.045 | 0.823 | 1.128 | 666.8 | 0.475 | 20.13 |
| Japanese Yen 1,000 | 3.069 | 4.137 | 11.97 | 1000. | 36.45 | 9.846 | 13.46 | 7981. | 5.691 | 240.9 |
| French Franc 10 | 0.847 | 1.135 | 3.284 | 274.4 | 10. | 2.701 | 3.693 | 2190 | 1.561 | 66.10 |
| Swiss Franc | 0.314 | 0.420 | 1.215 | 101.6 | 3.702 | 1. | 1.367 | 810.7 | 0.578 | 24.47 |
| Dutch Guilder | 0.229 | 0.307 | 0.889 | 74.30 | 2.708 | 0.731 | 1. | 593.0 | 0.428 | 17.90 |
| Italian Lira 1,000 | 0.387 | 0.518 | 1.500 | 125.3 | 4.567 | 1.234 | 1.686 | 1000. | 0.713 | 30.19 |
| Canadian Dollar | 0.543 | 0.727 | 2.103 | 118.7 | 6.404 | 1.730 | 2.365 | 1402. | 1. | 42.33 |
| Belgian Franc 100 | 1.282 | 1.717 | 4.968 | 415.1 | 15.13 | 4.087 | 5.587 | 3313. | 2.368 | 100. |

### EURO-CURRENCY INTEREST RATES (Market closing rates)

| Sept. 17 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | D-mark | French Franc | Italian Lira | Belgian Franc Conv. | Belgian Franc Fin. | Yen | Danish Krone |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Short-term | 11-11¼ | 7¾-7⅞ | 8-8¼ | 5¹¹⁄₁₆-5¹³⁄₁₆ | 1⅜-1⅝ | 4⅛-4¼ | 9⅜-9⅛ | 11-13 | 8⅜-8⅝ | 8⅜-8⅝ | 6¼-6⁷⁄₁₆ | 9-9¼ |
| 7 days' notice | 11¼-11⅜ | 8-8⅛ | 8¼-8½ | 5¹¹⁄₁₆-5¹³⁄₁₆ | 1⅜-1⅝ | 4¼-4⅜ | 9⅜-9⅛ | 11⅞-13⅛ | 8¾-9 | 8¾-9 | 6⅜-6⁷⁄₁₆ | 8-9¼ |
| Month | 11⁷⁄₁₆-11⅛ | 8⅛-8⁵⁄₁₆ | 8⅜-8⅛ | 5¹¹⁄₁₆-5¹³⁄₁₆ | 4⁵⁄₁₆-4⁷⁄₁₆ | 4⅜-4½ | 9⅝-9¹¹⁄₁₆ | 12¼-13¼ | 8¾-9 | 8⅞-9⅛ | 6⁷⁄₁₆-6⅛ | 8⅞-8⅜ |
| Three months | 11⅜-11½ | 8⅛-8⁵⁄₁₆ | 8¹³⁄₁₆-9⅛ | 5¹¹⁄₁₆-5¹³⁄₁₆ | 4⅛-4⅝ | 4⅛-4⅜ | 9⅞-10 | 12⅝-13⅛ | 8-9¼ | 9⅛-9⅜ | 6⅜-6⁷⁄₁₆ | 8¾-9¼ |
| Six months | 11⅛-11⅜ | 8⅜-8½ | 9⅛-9⅜ | 5¾-6⅞ | 4¹¹⁄₁₆-4¹³⁄₁₆ | 4⅝-4¹¹⁄₁₆ | 10⅜-10¹¹⁄₁₆ | 12⅞-13⅜ | 9⅛-9¾ | 9⅛-9¾ | 6⁵⁄₁₆-6⁷⁄₁₆ | 8¾-9¼ |
| One year | 11⁵⁄₁₆-11⅜ | 8¹³⁄₁₆-8¹⁵⁄₁₆ | 9¹⁵⁄₁₆-10⁵⁄₁₆ | 5¹³⁄₁₆-5¹⁵⁄₁₆ | 4¾-4⅞ | 4¹¹⁄₁₆-4¹³⁄₁₆ | 11⅛-11¼ | 13⅛-14 | 9⅝-9⅞ | 9⅝-9⅞ | 6⁵⁄₁₆-6⁷⁄₁₆ | 9⅛-9⅜ |

Asian $ (closing rates in Singapore): Short-term 7¹⁵⁄₁₆-8⅛ per cent; seven days 8-8⅛ per cent; one month 8⅛-8⅜ per cent; three months 8⅛-8⅜ per cent; six months 8⅜-8⅝ per cent; one year 8¹¹⁄₁₆-8¹³⁄₁₆ per cent. Long-term Eurodollars: two years 9½-9⅝ per cent; three years 10⅛-10⅜ per cent; four years 10⅜-10⅝ per cent; five years 10⅜-10⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

## MONEY MARKETS

# London rates soften

Interest rates were slightly sifted, in quiet trading, on the London money market yesterday. Three-month interbank fell to 11⅜-11¼ per cent at the close from 11½-11⅜ pr cent, taking any any immediate pressure off clearing bank base rates, and underlining the present rate level of 11½ per cent. Discount houses buying rates for three-month eligible bank bills eased to 11⁵⁄₁₆ per cent from 11⅜ per cent.

The Bank of England forecast a money market shortage of £250m and provided total help of £278m.

Before lunch the authorities bought £99m bills outright, by way of £79m bank bills in band 2 (15-33 days maturity) at 11⁷⁄₁₆ per cent; and £20m bank bills in band 3 (34-63 days) at 11½ per cent.

In the afternoon another £179m bills were purchased outright, through £77m bank bills in band 2 at 11⁷⁄₁₆ per cent; and £102m bank bills in band 3 at 11½ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £357m, with bank balances below target absorbing £10m. These outweighed Exchequer transactions adding £50m to liquidity and a fall in the note circulation of £65m.

The Bank of England also set a rate of 11¹¹⁄₁₆ per cent on the temporary facilities rolled over from yesterday until October 21, via repurchase agreements on gilt edged and other Government backed paper.

In Frankfurt call money fell to 4.375 per cent from 4.50 per cent as banks found themselves well ahead on minimum reserve requirements for the month. The improved liquidity position also reflected a delay in the mid-month tax deadline on payments by the banks for corporate and private customers. Some banks quoted call money as low as 4.30 per cent, the level at which the Bundesbank sells three-day Treasury bills to the market to absorb surplus liquidity. The possibility that tax payments will drain funds from the market today probably made banks reluctant to take up the offer however.

In Brussels the Belgian National Bank cut the interest rate on three-month Treasury certificates to 9.3 per cent from 9.4 per cent. One and two month certificates were unchanged at 9 per cent and 9.15 per cent respectively. Rates on Treasury certificates were last changed on September 10, when all rates were cut by 0.1 per cent.

**UK clearing banks base lending rate 11½ per cent since July 30.**

### MONEY RATES

| Sept. 17 | Frankfurt | Paris | Zurich | Amst'dam | Tokyo | Milan | Brussels | Dublin |
|---|---|---|---|---|---|---|---|---|
| Overnight | 4.30-4.45 | 9⅛ | ⅞-1⅛ | 6¾-5¹¹⁄₁₆ | 6.28125 | 14⅛-14⅛ | 6.35 | — |
| One Month | 4.55-4.65 | 9⅛-9⅜ | 4⅜-4⅛ | 5¾-5¹¹⁄₁₆ | 6.50000 | 13⅝-14 | 8⅞-9⅛ | 9⅝-9⅞ |
| Two Months | 4.6-4.7 | 9⁵⁄₁₆-9¹¹⁄₁₆ | — | — | — | — | — | 9¾-10 |
| Three Months | 4.6-4.7 | 9⁵⁄₁₆-9¹¹⁄₁₆ | 4⅛-4⅜ | 5¾-6⅞ | 6.375 | 13⅞-14¼ | 9⅛-9⅜ | 9⅞-10⅛ |
| Six Months | 4.60-4.75 | 9¾-9⅞ | — | 5¹¹⁄₁₆-5⅞ | — | — | 9⅝-9⅞ | 10-10¼ |
| Lombard | 5.0 | — | — | — | — | — | — | — |
| Intervention | — | 9⅝ | — | — | — | — | — | — |

### LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

| Sept. 17 1985 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy) |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | — | — | — | — | — |
| 2 days notice | — | — | [illegible] | — | — | — | — | — | — | — |
| 7 days or | — | — | [illegible] | — | — | — | — | — | — | — |
| 7 days notice | — | [illegible] | [illegible] | [illegible] | [illegible] | — | — | — | — | — |
| One month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Two months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Three months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Six months | [illegible] | [illegible] | [illegible] | [illegible] | — | — | — | [illegible] | — | [illegible] |
| Nine months | [illegible] | [illegible] | [illegible] | — | — | — | — | — | — | — |
| One year | [illegible] | [illegible] | [illegible] | — | — | — | — | — | — | — |

| | Local Auth. negotiable bonds | Local Authority Deposits | Finance House Deposits | $ Cert of Deposits | SDR Linked Deposits | ECU Linked Deposits |
|---|---|---|---|---|---|---|
| One month | [illegible] | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Two months | [illegible] | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Three months | [illegible] | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Six months | [illegible] | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Nine months | [illegible] | — | [illegible] | [illegible] | — | — |
| One year | [illegible] | — | [illegible] | [illegible] | [illegible] | [illegible] |
| Two years | — | [illegible] | [illegible] | — | — | — |
| Three years | — | [illegible] | [illegible] | — | — | — |
| Four years | — | [illegible] | [illegible] | — | — | — |
| Five years | — | [illegible] | [illegible] | — | — | — |

ECGD Fixed Finance IV: Average rate of interest period August 7 to September 3 (inclusive): 11.574 per cent. Local authority and finance houses seven days' notice, others seven days fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12 per cent from September 1, 1985. London and Scottish Clearing Bank Rates for lending 11½ per cent. London Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Treasury Bills: Average tender rate of discount 11.0811 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 10½ per cent from September 12. Deposits held under Series 5 11¼ per cent. The rate for all deposits withdrawn for cash 7½ per cent.

### MONEY RATES

NEW YORK (Lunchtime)

| | |
|---|---|
| Prime rate | [illegible] |
| Broker loan rate | [illegible] |
| Fed funds | [illegible] |
| Fed funds at intervention | [illegible] |

Treasury Bills

| | |
|---|---|
| One month | [illegible] |
| Two month | [illegible] |
| Three month | [illegible] |
| Six month | [illegible] |
| One year | [illegible] |

Treasury Bonds

| | |
|---|---|
| Two year | [illegible] |
| Three year | [illegible] |
| Four year | [illegible] |
| Five year | [illegible] |
| Seven year | [illegible] |
| 10 year | [illegible] |
| 30 year | [illegible] |

### FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 17)

3 months U.S. dollars: bid 8 5/16 — offer 8 5/16

6 months U.S. dollars: bid 8 7/16 — offer 8 9/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## FINANCIAL FUTURES

# Quiet trading

It was a quiet day on the London International Financial Futures Exchange yesterday. Dollar denominated contracts moved in a narrow range, awaiting Friday's figures on U.S. gross national product. December Eurodollar's opened weaker at 91.43, slightly above the day's low of 91.42. They touched a peak of 91.52 and closed at 91.46, compared with 91.48 previously. Reports in the U.S. press of a cutback in defence spending may have added some support, but there was little movement ahead of the GNP figures, or tomorrow's housing starts and Thursday's money supply data.

Gilts and short sterling contracts followed the fortunes of the pound. December long gilt futures began stronger at 111-24 (quoted in 32nds), and traded within a range of 111-18 to 111-28, before closing at 111-21, compared with 111-19. The short gilt for December finished near the day's low at 97-47 (quoted in 64ths) after opening at 97-50, against 97.45 on Monday.

Three-month sterling deposits closed firmer on the day, and only just below the peak, at 89.10, compared with 89.03.

### LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 91.46 | 91.52 | 91.42 | 91.48 |
| March | 91.12 | 91.16 | 91.08 | 91.12 |
| June | 90.78 | 90.79 | 90.73 | 90.78 |
| Sept | 90.46 | — | — | 90.46 |
| Dec | 90.16 | — | — | 90.15 |
| March | 89.84 | — | — | 89.83 |
| June | 89.56 | — | — | 89.55 |

Est volume 2,888 (5,270)
Previous day's open int 16,586 (11,965)

THREE-MONTH STERLING £500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 89.10 | 89.12 | 89.01 | 89.03 |
| March | 89.40 | 90.43 | 89.37 | 89.38 |
| June | 89.42 | 89.47 | 89.46 | 89.37 |
| Sept | 89.47 | — | — | 89.42 |
| Dec | 89.52 | — | — | 89.46 |

Est volume 2,777 (2,002)
Previous day's open int 5,938 (6,024)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 111-19 | — | — | 111-12 |
| Dec | 111-21 | 111-28 | 111-18 | 111-19 |
| March | 11-31 | — | — | 111-29 |

Est volume 2,372 (2,276)
Previous day's open int 3,253 (3,600)
Basis quote (clean cash price of 13½% Treasury 2004/8 less equivalent price of near futures contract) −6 to +4 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 97-47 | 97-53 | 97-46 | 97-45 |
| March | 97-62 | — | — | 97-90 |

Est volume 1,279 (1,452)
Previous day's open int 610 (642)

STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 133.70 | 133.80 | 132.95 | 132.55 |
| March | 132.95 | 132.67 | 132.67 | 131.80 |
| June | 132.45 | — | — | 131.25 |

Est volume 122 (184)
Previous day's open int 2,899 (2,889)

DEUTSCHE MARKS DM 125,000 $ per DM

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.3513 | 0.3511 | 0.3496 | 0.3483 |
| March | 0.3547 | 0.3538 | 0.3538 | 0.3576 |

Est volume 117 (87)
Previous day's open int 399 (414)

SWISS FRANCS SwFr 125,000 $ per SwFr

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.4267 | 0.4260 | 0.4246 | 0.4225 |
| March | 0.4305 | 0.4280 | 0.4280 | 0.4265 |

Est volume 50 (32)
Previous day's open int 244 (244)

FT-SE 100 INDEX £25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 129.40 | 130.20 | 129.00 | 129.95 |
| Dec | 130.00 | 130.55 | 129.65 | 130.55 |

Est volume 487 (331)
Previous day's open int 1,691 (1,710)

JAPANESE YEN Y12.5m $ per Y100

| | | | | |
|---|---|---|---|---|
| Dec | 0.4154 | 0.4163 | 0.4180 | 0.4161 |
| March | 0.4187 | 0.4185 | 0.4185 | 0.4184 |

Volume 34 (86)
Previous day's open int 238 (238)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Sept | 75-20 | 76-30 | 76-22 | 76-25 |
| Dec | 75-11 | 75-23 | 75-10 | 75-16 |
| March | 74-09 | — | — | 74-14 |

Est volume 2,171 (1,884)
Previous day's open int 2,223 (2,786)

### CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 76-22 | 77-00 | 76-21 | 76-22 |
| Dec | 75-12 | 75-22 | 75-11 | 75-13 |
| March | 74-11 | 74-19 | 74-08 | 74-11 |
| June | 73-11 | 73-19 | 73-10 | 73-11 |
| Sept | 72-14 | 72-21 | 72-13 | 72-14 |
| Dec | — | — | — | 71-19 |
| March | — | — | — | 70-27 |
| June | — | — | — | 70-05 |
| Sept | — | — | — | — |
| Dec | — | — | — | 68-30 |
| March | — | — | — | 68-13 |

U.S. TREASURY BILLS (IMM) $1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 92.94 | 92.99 | 92.92 | 92.94 |
| Dec | 92.56 | 92.72 | 92.65 | 92.63 |
| March | 92.34 | 92.39 | 92.32 | 92.31 |
| June | 92.03 | 92.10 | 92.03 | 92.00 |
| Sept | 91.70 | 91.78 | 91.79 | 91.72 |
| Dec | 91.47 | 91.49 | 91.47 | 91.45 |
| March | 91.22 | 91.23 | 91.22 | 91.19 |
| June | 90.97 | 90.98 | 90.97 | 90.94 |

CERT. DEPOSIT (IMM) $1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | 92.10 | 92.12 | 92.10 | 92.08 |
| Dec | 91.79 | 91.84 | 91.79 | 91.77 |
| March | 91.47 | 91.48 | 91.47 | 91.40 |
| June | — | — | — | 91.05 |

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Dec | 91.45 | 91.52 | 91.44 | 91.43 |
| March | 91.11 | 91.16 | 91.10 | 91.08 |
| June | 90.76 | 90.81 | 90.76 | 90.73 |
| Sept | — | — | — | 91.73 |
| Dec | 90.15 | 90.18 | 90.13 | 90.10 |
| March | 89.84 | 89.86 | 89.84 | 89.80 |
| June | 89.56 | 89.57 | 89.55 | 89.51 |

STERLING (IMM) $e per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Dec | 1.3355 | 1.3385 | 1.3315 | 1.3380 |
| March | 1.3300 | 1.3300 | 1.3279 | 1.3305 |
| June | 1.3240 | 1.3240 | 1.3200 | 1.3265 |
| Sept | — | — | — | 1.3335 |

GNMA (CBT) 8% $100,000 32nds of 100%

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sept | — | — | — | 76-30 |
| Dec | 75-30 | 76-04 | 75-29 | 76-30 |
| March | — | — | — | 75-05 |
| June | — | — | — | 74-14 |
| Sept | — | — | — | 73-23 |



### LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
Sterling firmer against a listless dollar but some caution due to nervousness over oil prices.

| Est volume Calls | Est volume Puts | Previous day's open interest Calls | Previous day's open interest Puts |
|---|---|---|---|
| 130 | 70 | 5639 | 5688 |

Eurodollar Future—points of 100%
Thinnish conditions with dollar unlikely to be buoyed by Friday's GNP figures.

| Est volume Calls | Est volume Puts | Previous day's open interest Calls | Previous day's open interest Puts |
|---|---|---|---|
| 41 | 42 | 614 | 773 |

For full details of settlement prices call: Louisa Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

### Company Notices

LINREAD PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that the Share Transfer Books of the Company will be closed from Thursday 3rd October to Wednesday 16th October 1985, both days dates inclusive, for the preparation of Dividend Warrants.

By Order of the Board
K. J. MORRIS
Company Secretary

# LONDON SHARE SERVICE

## BRITISH FUNDS

| 1985 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| | | **"Shorts" (Lives up to Five Years)** | | | | |
| 101 | 99 | Exch. 12¼pc 1985 | 99 | ..... | 12.25 | 11.67 |
| 101 | 99 | Exch. 11¼pc '86 | 100 | + | 11.79 | 11.11 |
| 99 | 97 | Treas. 10pcCnv 1986 | 99½xd | + | 10.05 | 11.04 |
| 96 | 92¾ | Treas 3pc 1986 | 96 | + | 3.12 | 9.18 |
| 100 | 97 | Exch. 10½pc Cv '86 | 99⅝ | + | 10.54 | 11.10 |
| 101 | 99¾ | Treas 12pc 1986 | 100 | ..... | 11.92 | 10.97 |
| 98 | 90¾ | Treas 8½pc 1984-86‡‡ | 98¼ | + | 8.65 | 10.74 |
| 105 | 102 | Exch. 14pc 1986 | 103½ | + | 13.58 | 10.86 |
| 94 | 87¾ | Exch. 2½pc 1986 | 94¼ | ..... | 2.65 | 7.68 |
| 104 | 101¼ | Exch. 13¼pc 1987 | 102⅞ | + | 12.88 | 10.80 |
| 99 | 96⅝ | Treas 10¼pcCv '87 | 99 | + | 10.32 | 10.73 |
| 92 | 85½ | Exch 2½pc 1987 | 92⅞ | + | 2.69 | 7.83 |
| 100 | 96¼ | Exch. 10½pc 1987 | 99xd | + | 10.52 | 10.67 |
| 94¼ | 89 | Funding 6½pc '85-87‡‡ | 99 | + | 6.89 | 10.48 |
| 99 | 95½ | Treas. 10pc 1987 | 98 | + | 10.12 | 10.73 |
| 91 | 84¾ | Treas 3pc 1987 | 91 | + | 3.29 | 8.38 |
| 102 | 99⅝ | Treas. 12pc 1987 | 102⅛ | + | 11.75 | 10.79 |
| 95 | 90¾ | Treas 7¾pc 1985-88‡‡ | 94 | – | 8.18 | 10.30 |
| 99 | 95⅝ | Exch 10½pc '88 | 99 | + | 10.54 | 10.60 |
| 97 | 93⅝ | Treas 9¾pc Cv '88 | 97 | + | 9.98 | 10.65 |
| 86½ | 80 | Transport 3pc '78-88 | 86¼ | ..... | 3.48 | 8.71 |
| 96 | 91½ | Treas. 9½pc '88 | 96 | + | 9.82 | 10.76 |
| 102¾ | 97½ | Treas 11½pc 1989 | 102¼ | + | 11.26 | 10.72 |
| 96⅝ | 90¼ | Treas 9½pc Cnv. '89 | 96¼xd | + | 9.86 | 10.77 |
| 82⅝ | 79 | Treas 3pc 1989 | 82 | + | 3.63 | 8.66 |
| 99 | 94 | Treas 10½pc 1989 | 99¼ | + | 10.58 | 10.73 |
| 98¼ | 92 | Exch. 10pc 1989 | 97 | + | 10.25 | 10.77 |
| 101¼ | 95 | Exch 11pc 1989 | 100xd | + | 10.91 | 10.73 |
| 85 | 79 | Treas 5pc 1986-89 | 00xd | + | 5.82 | 9.26 |
| 108⅝ | 103¼ | Treas 13pc 1990‡‡ | 108 | + | 12.04 | 10.61 |
| 101⅝ | 96 | Exch 11pc 1990‡‡ | 101 | + | 10.90 | 10.71 |
| 108¼ | 100¼ | Exch. 12½pc 1990 | 106xd | + | 11.77 | 10.71 |
| 77 | 75¼ | Treas. 3pc 1990e | 77 | + | 3.85 | 0.95 |
| 93 | 87¼ | Treas 8¼pc 1987-90‡‡ | 92¼ | + | 8.95 | 18.38 |
| | | **Five to Fifteen Years** | | | | |
| 101¼ | 91⅞ | Treas. 10pcCv 1990 | 100¼ | ..... | 10.34 | 10.83 |
| 105⅝ | 97⅞ | Treas 11¾pc 1991 | 105⅞ | + | 11.34 | 10.81 |
| 87¾ | 80 | Funding 5¾pc '87-91‡‡ | 85xd | ..... | 6.75 | 9.21 |
| 105⅝ | 95 | Exch. 11pc 1991 | 105¼ | + | 10.92 | 10.82 |
| 111¼ | 101⅝ | Treas 12¾pc 1992‡‡ | 110⅝ | + | 11.74 | 10.82 |
| 99½ | 88⅝ | Treas 10pc 1992 | 97¾ | + | [illegible] | 10.64 |
| 102⅞ | 94¼ | Treas 10½pc Cv 1992‡‡ | 102¼ | + | [illegible] | 10.73 |
| 110¼ | 98¼ | Exch. 12¼pc '92 | 107¼ | + | [illegible] | 10.89 |
| 117¼ | 105 | Exch 11½pc 1992 | 112¼xd | + | [illegible] | 10.95 |
| 111¾ | 101¼ | Treas 12½pc 1993‡‡ | 110⅝ | + | [illegible] | 10.85 |
| 83¼ | 74⅞ | Funding 6pc 1993‡‡ | 81xd | ..... | 7.4 | 9.45 |
| 114½ | 109⅜ | Treas 11¼pc 1993‡‡ | 119½ | + | [illegible] | 10.90 |
| 125¼ | 111¼ | Treas 14½pc 1994‡‡ | 120⅞xd | + | [illegible] | 10.80 |
| 119¼ | 108⅞ | Exch 13½pc 1994 | 119¼ | + | [illegible] | 10.95 |
| 113¼ | 100⅝ | Exch. 12½pc 1994 | 109⅞ | + | [illegible] | 10.90 |
| 94 | 86¼ | Treas 9pc 1994‡‡ | 95⅞ | ..... | 9.9 | 10.57 |
| [illegible] | 98¼ | Treas 12pc 1995 | 108¼ | + | [illegible] | 10.87 |
| 71¼ | 62¼ | Gas 3pc '90-95 | 70¾ | – | [illegible] | 7.47 |
| [illegible] | 89⅝ | Exch. 10¼pc 1995 | 98⅝ | + | [illegible] | 10.75 |
| [illegible] | 106¼ | Treas 12¾pc 1995‡‡ | 116¼ | + | 11.4 | 10.80 |
| 121 | 110⅜ | Treas. 14pc '96 | 120¼ | + | [illegible] | 10.94 |
| [illegible] | 84½ | Treas 9pc 1992-96‡‡ | 98⅝xd | + | [illegible] | 10.51 |
| [illegible] | 121¼ | Treas 15¼pc 1996‡‡ | 132½ | + | [illegible] | 10.92 |
| [illegible] | 110⅝ | Exch 13¼pc 1996‡‡ | 120¼ | + | [illegible] | 10.75 |
| [illegible] | 68½ | Redemption 3pc 1986-96 | 75⅞xd | – | 3.[illegible] | 6.01 |
| [illegible] | 108¼ | Treas 13¼pc 1997‡‡ | 118 | + | 11.44 | 10.77 |
| [illegible] | 90⅞ | Exch 10½pc 1997 | 99⅞ | + | 10.60 | 10.63 |
| [illegible] | 80½ | Treas 8¾pc 1997‡‡ | 88½xd | ..... | 9.95 | 10.54 |
| [illegible] | 120⅝ | Exch. 15pc 1997 | 132¼ | + | 11.88 | 11.00 |
| 96 | 87⅝ | Exch. 9¾pc 1998 | 95⅞ | ..... | 10.35 | 10.58 |
| [illegible] | 70⅞ | Treas 6¾pc 1995-98‡‡ | 78⅞ | ..... | 0.94 | 10.24 |
| [illegible] | 122⅞ | Treas. 15½pc '98‡‡ | 131¼xd | + | 11.78 | 10.90 |
| [illegible] | 103¼ | Exch. 12pc 1998 | 112⅞ | + | 11.02 | 10.71 |
| [illegible] | 86⅝ | Treas 9½pc 1999‡‡ | 95 | ..... | 10.19 | 10.43 |
| [illegible] | 103⅝ | Exch. 12¼pc 1999 | 110⅞xd | + | 11.03 | 10.68 |
| [illegible] | 94¾ | Treas. 10½pc 1999 | 103¼ | + | 10.54 | 10.54 |
| 101 | 92¼ | Conversion 10¼pc 1999 | 101¼ | + | 10.49 | 10.54 |
| 11[illegible] | 109⅝ | Treas. 13pc 2000 | 119¼ | + | 11.12 | 10.69 |
| | | **Over Fifteen Years** | | | | |
| 125⅞ | 115¾ | Treas. 14pc '98-01 | 125⅞ | + | 11.54 | 10.85 |
| 97¼ | 92 | Conversion 9¾pc 2001 | 95⅞ | – | 10.29 | 10.42 |
| 111¼ | 102 | Exch. 12pc '99-02 | 111 | + | 11.00 | 10.69 |
| 101¼ | 92⅞ | Conversion 10pc 2002 | 96¼xd | – | 10.34 | 10.42 |
| 96¼ | 94⅞ | Treas 9¾pc2002(£25pd) | 95¼ | – | 10.28 | 10.41 |
| 124¼ | 114⅝ | Treas. 13¾pc 2000-03 | 124 | + | 11.28 | 10.75 |
| 113¼ | 101¼ | Treas. 11½pc 2001-04 | 107⅞xd | + | 10.69 | 10.49 |
| 99 | 95 | Treas. 10pc 2004 | 99¼ | ..... | 10.30 | 10.35 |
| 51¼ | 46¼ | Funding 3½pc '99-04 | 51 | – | 6.95 | 9.03 |
| 97¼ | 89⅞ | Conversion 9½pc 2004 | 97¼ | ..... | 10.18 | 10.30 |
| 108¼ | 94¼ | Exch.10½pc 2005 | 102xd | ..... | 10.29 | 10.26 |
| 120¼ | 111¼ | Treas. 12½pc 2003-05 | 119⅞ | + | 10.80 | 10.52 |
| 85⅝ | 79 | Treas. 8pc 2002-06‡‡ | 81⅝xd | ..... | 9.76 | 10.08 |
| 113¼ | 103¼ | Treas. 11¾pc 2003-07 | 111¼ | + | 10.70 | 10.49 |
| 130¼ | 117½ | Treas. 13½pc '04-08 | 123¼xd | + | 10.89 | 10.53 |
| 63¼ | 57⅛ | Treas. 5½pc 2008-12‡‡ | 60¼xd | ..... | 9.17 | 9.71 |
| 81¼ | 75¼ | Treas. 7¾pc 2012-15‡‡ | 80⅞ | ..... | 9.72 | 9.87 |
| 121 | 112 | Exch. 12pc '13-'17 | 120¼ | + | 10.25 | 10.14 |
| | | **Undated** | | | | |
| 40½ | 37¼ | Consols 4pc | 40¼ | + | 10.10 | — |
| 36¼ | 33¼ | War Loan 3½pc‡‡ | 36¼ | + | 9.98 | — |
| 45¼ | 41¼ | Conv. 3½pc '61 Aft. | 44⅞xd | + | 7.87 | — |
| 31¼ | 28¼ | Treas. 3pc '66 Aft. | 29⅝xd | + | 10.08 | — |
| 25¼ | 23½ | Consols 2½pc | 25xd | + | 9.95 | — |
| 26¼ | 23¾ | Treas. 2½pc | 24⅞xd | + | 10.02 | — |
| | | **Index-Linked** (b) | | | (1) | (2) |
| 116 | 105¼ | Treas. 2pc '88 (297.1) | 116xd | + | 3.28 | 4.56 |
| 100¼ | 91½ | Do. 2pc '90 (333.9) | 100¼ | + | 3.49 | 4.29 |
| 114½ | 108¼ | Do. 2pc '96 (267.9) | 113⅜xd | + | 3.62 | 3.95 |
| 103½ | 98 | Do. 2½pc '01 (308.8) | 100¼xd | – | 3.52 | 3.77 |
| [illegible] | [illegible] | Do. 2½pc '03 (310.7) | 100⅞ | ..... | 3.47 | 3.69 |

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

## INDUSTRIALS—Continued

## INSURANCES

## LEISURE

## LEISURE—Continued

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PROPERTY

## PROPERTY—Continued

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## INVESTMENT TRUSTS—Cont.

### Finance, Land, etc

## FINANCE, LAND—Cont.

## OIL AND GAS

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

## MINES—Continued

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

### Miscellaneous

| 1985 High | Low | Stock | Price | + or − | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 350 | 117 | ♥Centenial Mnr's | 385 | +5 | — | — | — |
| 120 | 60 | ♥Colby Res Corp | 65 | — | — | — | — |
| 550 | 287 | Cons. Murch. 10c | 325 | | g086½c | 3.9 | 8.0 |
| 40 | 24 | ♥Ennex Int. Ir10p | 30 | | — | — | — |
| 215 | 115 | Hampton Areas 10p | 140 | | 3.75 | 0.9 | 3.6 |
| 260 | 135 | ♥Highwood Res | 177 | +5 | — | — | — |
| £22½ | £17½ | Homestake Mining $1 | £18⅞ | | Q20c | — | 7.8 |
| 310 | 190 | ♥McFinley Red Lake | 195 | −5 | — | — | — |
| 335 | 195 | ♥Nusto Explorations | 280 | +5 | — | — | — |
| 55 | 23 | ♥New Sabora Res C$1 | 40 | | — | — | — |
| 375 | 245 | Northgate C$1 | 267 | +2 | — | — | — |
| 685 | 533 | RTZ | 578 | −7 | 20.0 | 2.7 | 4.9 |
| £145½ | £116½ | Do. 9½pcLn '95-2000 | £128½ | −½ | Q9½% | 14.0 | 7.5 |
| 950 | 950 | ♥Tara Expln $1 | 950 | | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or − | Stock | Price | + or − |
|---|---|---|---|---|---|
| Albany Inv 20p | 99 | .... | Arnott | 199 | +4 |
| Craig & Rose £1 | 780 | .. | CPI Hldgs | 62 | .. |
| Finlay Pkg. 5p | 63 | .... | Carrol Inds. | 138 | .... |
| Higsons Brew | 235 | . | Dublin Gas | 75 | .... |
| Holt (Jos) 25p | 730 | +10 | Hall (R. & H.) | 60xd | .... |
| IoM Stm. £1 | 90 | .. | Heiton Hldgs. | 25 | .... |
| IRISH | | | Irish Ropes | 46 | .... |
| Fund 11¼% 1988 | £101¼ | .... | Jacob (W.& R.) | 90 | .... |
| Nat. 9¾% 84/89 | £97¼ | .... | Unidare | 109 | .... |
| Fin. 13% 97/02 | £107⅜ | +⅛ | | | |

"Recent Issues" and "Rights" Page 30
(International Edition Page 36)

## MARKET REPORT

# Equities quietly dull on oil price uncertainties

# Index down 5.0 more at 1,002.7

**Account Dealing Dates**

**Option**

| *First Dealings | Declara-tions | Last Dealings | Account Day |
|---|---|---|---|
| Sept 2 | Sept 12 | Sept 13 | Sept 23 |
| Sept 16 | Sept 26 | Sept 27 | Oct 7 |
| Sept 30 | Oct 10 | Oct 11 | Oct 21 |

* "New-time" dealings may take place from 8.30 am two business days earlier.

Investment activity was at a low ebb throughout London equity markets yesterday reflecting continuing concern about crude oil price trends ahead of next month's full meeting of Opec oil ministers. Because of the dearth of interest from institutional and other large investors—attendance within the square mile was again severely depleted by the Jewish New Year celebrations—it was left to a steady stream of corporate trading statements to promote trade.

The twin threats to crude oil prices posed by alterations in Saudi Arabia's pricing policies and the proposed jets-for-oil barter deal with the UK further depressed oil shares which were marked lower at the outset following heavy selling prior to the official market opening. However, as on Monday, ensuing selling was negligible and quotations rallied on the appearance of buyers at the lower levels. Consequently, BP closed 9 cheaper on balance at 523p, after 520p, while Shell gave up a couple of pence to 673p, after 668p.

Elsewhere, blue chip industrials lacked sparkle and drifted down as potential investors held off. Sentiment was not helped by disappointing interim results from Fisons and the shock first-half profits setback reported by Coats Patons.

Mirroring the quietly dull trend, the FT Ordinary share index touched its lowest level of 1.002.3 at 11.00 am before closing 5 points off at 1,002.7.

After Monday's late bout of excitement created by the Government Broker reactivating the long tap at a level well below his previous dealing price, Gilt-edged securities were becalmed yesterday. Quotations edged higher in sympathy with sterling's firmer showing against the dollar and were later helped by the afternoon announcement of August's PSBR figure but overall business volume was small. Closing improvements ranged to ¼ in the longs and ⅛ among shorter maturities.

### Prov. Financial up

Provident Financial provided an isolated firm feature in the banking sector, rising 7 to 262p on small speculative buying fuelled by vague takeover chatter. The major clearers were again ignored as international debt uncertainties remained the prime concern. Barclays relinquished 5 more at 373p and NatWest cheapened 4 at 638p.

Further nervous selling ahead of today's interim statement left Legal and General a further 8 lower at 645p.

The two newcomers to the Unlisted Securities Market made contrasting debuts. Computer concern Kewill Systems began brightly and closed at 87p, a premium of 8 against the placing price of 79p, but telecommunications group Questel, whose shares were expected to command a premium of around 15p in first-time dealings, settled at 181p compared with the placing price of 180p. Polypipe shed 4 to 149p following the annual results.

Leading Buildings made a drab showing. Tarmac were weak after comment on the first-half results and fell 10 to 328p, after 326p. George Wimpey shed 4 to 124p, as did Costain, to 438p. Elsewhere, Travis and Arnold reacted to 268p prior to closing a net 8 off at 276p following disappointing interim figures, but Countryside attracted fresh support in a restricted market and rose 10 to 294p. Ibstock Johnsen encountered scrappy selling and lost 6 to 158p.

ICI continued to trade quietly and closed 2 cheaper at 662p. Elsewhere in Chemicals, Brent gave up 8 to 124p on further consideration of the first-half figures.

Lack of investment incentive made for another subdued session among Retailers. Once again, the leaders recovered early losses, while secondary counters also showed scant alteration from overnight positions. Woolworth dipped 5 to 478p awaiting today's interim figures, but Owen Owen, also due to reveal first-half figures today, eased a few pence to 385p. Renewed speculative support prompted modest gains for Top Value, 72p and Martin Ford, 46p, but Vantona, 400p, and Ward White, 306p, declined 8 and 9 respectively.

### Kode plummet

The recently beleaguered high-technology sector had to contend with further depressing news in the shape of poor trading statements from Kode International and Imtec; the former plummeted 45 to 85p in reaction to the halved interim dividend payment and first-half profits setback, while the latter dropped 7 to 21p following details of the annual deficit. CASE, a dull market of late following the Board's profits warning, rallied 8 to 134p. Leading Electricals were featured by a fall of 8 to 374p in Thorn EMI. Plessey, meanwhile, still reflecting de Zoete and Bevan's profits downgrading and fears that it will lose a lucrative U.S. army contract to French competitors, slipped to 134p before closing a further 2 lower at 136p.

Porter Chadburn made strong progress reflecting persistent takeover speculation and closed 12 higher at 237p. Elsewhere in Engineerings, speculative support boosted Thomas Robinson 6 to 98p while further consideration of the interim profits and the increased dividend prompted good demand for Hall Engineering which rose 4 to 130p. Folkes Group hardened a penny to 28½p, after 29½p, on the results but Simon Engineering continued to reflect disappointment with Monday's interim figures and ran back 4 more to 208p, a two-day decline of 18. Cocksedge were changing hands around 36p prior to being suspended pending clarification of the company's financial position.

Food Retailers made a selectively firm showing and featured Argyll, up 7 at 327p; dealers were sceptical regarding suggestions that Argyll had sold its rumoured 3 per cent holding in Distillers, unchanged at 385p, after 378p. Elsewhere, Rowntree Mackintosh softened 3 to 363p ahead of tomorrow's half-timer, while Bernard Matthews settled 5 off at 480p, after 485p, the excellent interim results having been discounted. United Biscuits slipped 4 to 179p and old takeover favourite Avana lost 10 to 597p.

In Hotels, Arden and Cobden soared 200 to 715p following an tion of the 24 per cent jump in agreed bid worth 625p per share cash from Mr H. J. Edwards and his family interests.

A lengthy list of trading statements were mainly responsible for the noteworthy movements in the miscellaneous industrial sector. Fisons revealed interim profits below best expectations and the price reacted to 348p prior to closing a net 10 down at 350p, while the first-half profits slump and dividend omission left Bestobell 7 lower at 220p. On the other hand, good interim results lifted Oriflame International 30 to 480p, while increased annual profits prompted a gain of 16 to 391p in Intereurope Technology Services. Barrow Hepburn, up 3 at 44p, also responded positively to trading news, as did Hartons, 4½ higher at 54½p, and Scottish Heritable, a penny dearer at 90p. JSD Computer firmed 2 to 75p in reply to more-than-doubled first-half profits, while Burns Anderson closed a penny better at 61p following news of a proposed £1.7m rights issue.

After Monday's rise of 33 in the wake of the proposed UK Saudi Arabian military aircraft contract, British Aerospace met with light profit-taking and closed 5 off at 400p. Trafalgar House shed 8 to 364p on the Scott Lithgow redundancy move, but Bowater revived strongly on Hanson Trust takeover hopes and closed 13 higher at 340p. Ashley Industrial Trust attracted revived speculative buying at 28p, up 4, but profit-taking left Bestwood 15 off at 405p, after 400p. British Syphon were supported in front of today's interim results and gained 6 to 144p.

Motor and aircraft component manufacturers featured Armstrong Equipment which spurted 3½ to 48½p in response to the 80 per cent expansion in preliminary profits. Dowty, 2 off at 200p, and Lucas, 383p, down 5, both encountered occasional profit-taking in the wake of Monday's sharp gains on the Saudi Arabian combat aircraft contract. Motor Distributors again highlighted C. D. Bramall which made fresh progress behind the increased first-half profits and advanced 18 for a two-day gain of 24 at 186p.

Having perked up late Monday on the reappearance of buyers, leading Properties continued to edge forward, Land Securities hardening 3 to 294p and MEPC improving a penny to 282p. Hammerson A moved up 15 to 445p and Peachey added 3 to 256p, while Great Portland Estates, 152p, and Slough Estates, 150p, both firmed 2. Greycoat City Offices rose 6 to 212p on news of the Finsbury Circus property deal, while Brixton Estate gained the turn to 141p following satisfactory half-year figures. Stockley attracted buyers at 74p, up 4, and Regentcrest added a penny more to 33p. Estate agents Bairstow Eves gained 7 to 99p, after 100p, on hopes of increased activity in the housing market in th ecoming months.

Textiles, unsettled recently by extremely disappointing trading results from Sirdar and British Mohair, received another blow following first-half results from Coats Patons which revealed profits well short of market estimates and slumped 17 to 137p. Courtaulds eased a couple of pence to 145p in sympathy.

A generally uneventful session in Tobaccos was enlivened after-hours' by Imps, which touched 196p before settling a net 4 to the good at 194p as talk of an overseas interest taking a disclosable stake revived; rumours were circulating late last week that Mr Alan Bond had acquired around 10 per cent of the equity.

### Oils down again

Worries about the bleak outlook for oil prices caused renewed and sometimes heavy selling of the oil majors at the outset of trading. Weakness in the sector was most evident in BP but Enterprise Oil slipped back 6 more to 174p, Burmah Oil lost 7 to 293p and Britoil settled a few pence off at 201p, after 198p. LASMO continued to attract a good deal of interest and touched extremes of 270p and 280p prior to ending the day a net 10 off at 275p. Selling pressure also filtered through into the secondary issues where Carless Capel gave up 5 to 135p and Charterhouse 4 to 91p. Sun (UK) Royalty initially fell away to 140p but encountered late support which left the shares a net 5 higher at 150p. Petranol added a like amount at 150p following the results.

### Cons. Gold advance

Consolidated Gold Fields highlighted mining markets and advanced 15 to 440p, after 442p, following the better-than-expected preliminary results. The strength of Gold Fields stified support for Rio Tinto-Zinc which subsequently gave ground to close 5 lower at 578p.

South African Golds, on the other hand, continued to reflect a general lack of interest in the sector and an easier trend in the bullion price. The latter gradually drifted back to close a further $2 down at $318 an ounce.

One or two of the top-quality issues managed minor gains—Randfontein settled ½ firmer at £59½ and Free State Geduld hardened a shade to £16½—but the majority showed losses which ranged to ½ as in Vaal Reefs, £53½, and the Gold Mines index eased 2 points to 315.4.

South African Financials remained featureless and posted minor falls across the board. "Amgold" were a fraction easier at £50½ and Gold Fields of South Africa dipped 3 to 865p.

The recently-becalmed Australian mining market tended to lose ground in line with overnight Sydney and Melbourne markets which reflected increasing nervousness over the Federal Government's forthcoming taxation moves which are expected towards the end of the week. The leaders were generally a few pence easier across the board—CRA dipped 4 to 278p and Western Mining lost 3 at 194p—but the speculative issues provided a couple of firm features in Portman Mining and Terrex Resources. The latter jumped 5 to 39p and the former 3 to 19p following news that the two companies have come to an agreement over ownership of the Southdown Magnetite projects in Western Australia. An out of court settlement of the dispute leaves Portman with 63 per cent of the project and Terrex with 25 per cent.

Demand for Traded Options showed a slight increase with total contracts struck amounting to 8,593—4,849 calls and 3,744 puts. In contrast to recent trading sessions, business was well distributed throughout the list, although Imperial Group were particular active in recording 1,179 calls amid talk that Bond Corporation had acquired a sizeable holding in the company.

## FINANCIAL TIMES STOCK INDICES

| | Sept. 17 | Sept. 16 | Sept. 15 | Sept. 12 | Sept. 11 | Sept. 10 | year ago |
|---|---|---|---|---|---|---|---|
| Government Secs | 83.25 | 83.15 | 82.94 | 82.74 | 82.72 | 82.72 | 79.46 |
| Fixed Interest | 88.40 | 88.33 | 88.33 | 88.14 | 88.16 | 88.13 | 82.91 |
| Ordinary ♥ | 1002.7 | 1007.7 | 1011.2 | 1014.0 | 1006.6 | 1006.6 | 856.0 |
| Gold Mines | 513.4 | 317.4 | 317.3 | 023.9 | 309.3 | 304.1 | 514.5 |
| Ord. Div. Yield | 4.74 | 4.72 | 4.71 | 4.69 | 4.70 | 4.69 | 4.87 |
| Earnings, Yld. % (full) | 11.63 | 11.58 | 11.54 | 11.51 | 11.50 | 11.52 | 11.51 |
| P/E Ratio (net) (*) | 10.64 | 10.70 | 10.73 | 10.76 | 10.74 | 10.75 | 10.55 |
| Total bargains (Est.) | 20,720 | 21,429 | 23,748 | 20,596 | 21,510 | 22,430 | 18,110 |
| Equity turnover £m. | — | 327.29 | 530.05 | 370.48 | 405.33 | 408.95 | 253.11 |
| Equity bargains | — | 18,762 | 51,356 | 16,853 | 17,498 | 19,476 | 16,569 |
| Shares traded (ml) | — | 172.0 | 245.7 | 169.9 | 187.3 | 202.3 | 157.5 |

♥ 10 am 1005.9. 11 am 1002.3. Noon 1003.8. 1 pm 1003.5. 2 pm 1002.9. 3 pm 1002.7. 4 pm 1002.8.

Day's High 1008.0. Day's Low 1002.3.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activities 1974.

Latest Index 01-246 8026.

* Nil=10.28.

### HIGHS AND LOWS

| — | 1985 High | 1985 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|
| Govt. Secs. | 83.87 (30/7) | 78.02 (28/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Int. | 88.81 (25/8) | 82.17 (28/1) | 150.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 1024.5 (22/1) | 211.0 (25/7) | 1024.5 (22/1/85) | 49.4 (26/6/40) |
| Gold Mines | 536.9 (15/4) | 280.1 (28/8) | 754.7 (15/2/83) | 43.5 (26/10/71) |

### S.E. ACTIVITY INDICES

| | Sept. 16 | Sept. 13 |
|---|---|---|
| Daily | | |
| Gilt Edged Bargains | 123.3 | 114.7 |
| Equities Bargains | 121.5 | 138.4 |
| Value | 661.5 | 1072.6 |
| 5 day Average | | |
| Gilt Edged Bargains | 122.2 | 125.8 |
| Equities Bargains | 121.7 | 124.1 |
| Value | 825.8 | 849.3 |

## OPTIONS

| First Deal-ings | Last Deal-ings | Last Declara-tion | For Settle-ment |
|---|---|---|---|
| Sept 9 | Sept 20 | Dec 5 | Dec 16 |
| Sept 23 | Oct 4 | Dec 19 | Dec 30 |
| Oct 7 | Oct 18 | Jan 2 | Jan 13 |

*For rate indications see end of Unit Trust Service*

Money was given for the call of Control Securities, Plessey, Poly Peck, Amber Day, Combined Technologies, Woodhouse and Rixson, Christies International, Ultramar, Sears, Falcon Resources, Johnson and Firth Brown, Racal, Cape Industries, Lasmo, West Coast and Ferranti. A put was taken out in Manganese Bronze, but no doubles were reported.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 75 | 11 | 21 |
| Corpns. Dom. and Foreign Bonds | 17 | 11 | 61 |
| Industrials | 211 | 314 | 959 |
| Fin. and Props. | 95 | 78 | 382 |
| Oils | 14 | 45 | 66 |
| Plantations | 0 | 6 | 9 |
| Mines | 23 | 54 | 103 |
| Others | 20 | 116 | 102 |
| Totals | 455 | 624 | 1,703 |

## YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stock | Closing price | Day's change |
|---|---|---|
| Bowater Inds | 340 | +13 |
| British Aerospace | 400 | — 5 |
| BP | 523 | — 2 |
| Charterhouse Pet | 91 | — 4 |
| Coats Patons | 137 | —17 |
| Fisons | 350 | —10 |
| Hestair | 104 | — |
| LASMO | 275 | —10 |
| Matthews (B.) | 480 | — 0 |
| Tarmac | 328 | —10 |
| Travis and Arnold | 276 | — 8 |
| Ultramar | 202 | — 3 |

Based on bargains recorded in Stock Exchange Official List.

## MONDAY'S ACTIVE STOCKS

| Stock | No. of changes | Mon. close | Day's change |
|---|---|---|---|
| Brit Aerospace | 24 | 405xd | +33 |
| LASMO | 15 | 285xd | + 9½ |
| Lucas Inds | 12 | 388 | + 2 |
| Saatchi | 12 | 722 | + 2 |
| BTR | 11 | 360 | — 3 |
| Britoil | 11 | 203 | — 7 |
| Glaxo | 11 | £13¾ | — |
| Shell Transport | 11 | 675xd | —17½ |
| Allied-Lyons | 10 | 278 | — 2 |
| Barton | 10 | 505 | — |
| Cons Gold Flds | 10 | 425 | — 5 |
| ICI | 10 | 664 | — 3 |

## EUROPEAN OPTIONS EXCHANGE

| Series | | Nov. Vol. | Nov. Last | Feb. Vol. | Feb. Last | May Vol. | May Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $320 | — | — | 4 | 22.30 | — | — | $318 |
| GOLD C | $340 | 8 | 5 | 3 | 16 | — | — | " |
| GOLD C | $360 | — | — | 55 | 6.50 | — | — | " |
| GOLD P | $325 | — | — | 20 | 16.50 | 53 | 15 | " |
| | | Sept. | | Dec. | | March | | |
| SILVER P | $550 | 11 | 1 | — | — | — | — | $600 |
| SILVER P | $600 | 2 | 5 | — | — | — | — | " |
| SILVER P | $650 | 10 | 55 | — | — | — | — | " |
| $/FL C | Fl.315 | 25 | 8.80 | 5 | 12.50 | — | — | FL323.18 |
| $/FL C | Fl.320 | 201 | 4.70 | 12 | 10.50 | — | — | " |
| $/FL C | Fl.325 | 55 | 1.70 | 283 | 2.50 | 20 | 10.20 | " |
| [illegible] | | | | | | | | |

TOTAL VOLUME IN CONTRACTS: 22,225

A=Ask B=Bid C=Call P=Put

## FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

**EQUITY GROUPS & SUB-SECTIONS** — Tues Sept 17 1985

Figures in parentheses show number of stocks per section

| | Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 30%) | Est. P/E Ratio (Net) | xd adj. 1985 to date | Mon Sept 16 Index No. | Fri Sept 13 Index No. | Thur Sept 12 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 91 Overseas Traders (14) | [illegible] | — | [illegible] | 4.59 | — | 15.86 | 631.41 | 634.41 | 635.78 | 563.82 |
| 99 ALL-SHARE INDEX (738) | 629.43 | —0.3 | — | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Index No. | Day's Change | Day's High | Day's Low | Sept 16 | Sept 13 | Sept 12 | Sept 11 | Sept 10 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX | 1296.8 | —4.2 | 1301.1 | 1294.5 | 1300.2 | 1308.8 | 1313.3 | 1302.2 | 1311.4 | 524.12 |

### FIXED INTEREST

| | PRICE INDICES | Tues Sept 17 | Day's change % | Mon Sept 16 | xd adj. today | xd adj. 1985 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 119.59 | +0.12 | 119.45 | — | 7.92 |
| 2 | 5-15 years | 133.26 | +0.11 | 133.11 | — | 9.34 |
| 3 | Over 15 years | 137.38 | +0.07 | 137.28 | — | 9.73 |
| 4 | Irredeemables | 150.82 | +0.36 | 150.27 | — | 8.90 |
| 5 | All stocks | 130.89 | +0.11 | 130.75 | — | 8.97 |
| 6 | Debentures & Loans | 112.24 | +0.20 | 112.01 | — | 7.82 |
| 7 | Preference | 80.44 | +0.04 | 80.41 | — | 5.21 |
| | BRITISH GOVERNMENT INDEX-LINKED STOCKS | | | | | |
| 8 | All stocks | 111.63 | —0.05 | 111.68 | — | 2.46 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Tues Sept 17 | Mon Sept 16 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 10.01 | 10.02 | 11.35 |
| 2 | Coupons | 15 years | 10.22 | 10.22 | 10.75 |
| 3 | | 25 years | 10.23 | 10.23 | 10.26 |
| 4 | Medium | 5 years | 10.80 | 10.84 | 12.04 |
| 5 | Coupons | 15 years | 10.56 | 10.57 | 11.17 |
| 6 | | 25 years | 10.22 | 10.23 | 10.48 |
| 7 | High | 5 years | 10.98 | 10.93 | 12.11 |
| 8 | Coupons | 15 years | 10.71 | 10.72 | 11.34 |
| 9 | | 25 years | 10.38 | 10.41 | 10.59 |
| 10 | Irredeemables† | | 9.83 | 9.87 | 10.19 |
| 11 | Debs & Loans | 5 years | 11.58 | 11.62 | 12.50 |
| 12 | | 15 years | 11.44 | 11.48 | 12.27 |
| 13 | | 25 years | 11.31 | 11.34 | 12.07 |
| 14 | Preference† | | 12.19 | 12.20 | 13.14 |
| 15 | Inflation rate | 5% | 3.56 | 3.55 | 3.81 |
| 16 | | 10% | 3.35 | 3.34 | 3.61 |

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

## RECENT ISSUES

### EQUITIES

| Issue price p | Amount paid up | Latest Renunc. date | 1985 High | 1985 Low | Stock | Closing price p | + or — | Net Div. | Times covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | |

### FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1985 High | 1985 Low | Stock | Closing price £ | + or — |
|---|---|---|---|---|---|---|---|
| 87.303 | £30 | — | 30⅞ | 29⅝ | Australia 6¼% Ln. 2012 | [illegible] | |
| §61.445 | £30 | — | 28½ | 27½ | Bank of Greece 10¼%Ln. 2010 | [illegible] | |
| §96.456 | £25 | 27/11 | 20¼ | 25½ | Brixton Est. 10¼% 1st. Mort. Deb. 2025 | [illegible] | |
| §98.324 | £40 | — | 105½ | 104½ | Est. & Gen. Inv. 11¼% 1st Mort. Deb. 2018 | [illegible] | |
| ‡‡ | F.P. | 26/10 | 112 | 105 | Guinness 5¼% Cnv. Uns. Ln. 1996/2001 | [illegible] | |
| ¶150 | £10 | — | 13¾ | 13½ | Eastbourne Water 8⅜% Red. Prf. 1995 | [illegible] | |
| 88.466 | £30 | 24/1 | 51 | 29⅝ | Intl. Bk. for Rec. & Dev. 2½% Ln. 2010 | [illegible] | |
| 90.706 | F.P. | 6/9 | 95 | 90 | Malaysia 10¼% Ln. 2009 | [illegible] | |
| §105 | F.P. | — | 92½ | 84½ | ✻Memory Comp. 7.8% Cnv.R.Pf1994/8 | [illegible] | |
| — | — | — | 150 | 99 | Nationwide 11¼% Bds. 1/9/86 | [illegible] | |
| — | F.P. | — | 150 | 99 | Do. 11% Bds. 10/9/86 | [illegible] | |
| 5 | F.P. | — | 105p | 101p | Wintrust 5¼% Cnv. Cum. Pref. | [illegible] | |

### RIGHTS OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1985 High | 1985 Low | Stock | Closing price p | + or — |
|---|---|---|---|---|---|---|---|
| DM180 | Nil | — | 70pm | 55pm | BASF A.G. DM 50 | 70pm | [illegible] |
| 47 | F.P. | — | 60 | 55 | Brit. Vending 10p | 53 | [illegible] |
| 85 | Nil | — | 33pm | 20pm | City Site Estates | 30pm | [illegible] |
| 210 | Nil | — | 50pm | 45pm | Emess Lighting | 45pm | [illegible] |
| 360 | F.P. | 27/9 | 415 | 405 | Forshaws Burtonwood | 415 | [illegible] |
| 11 | Nil | — | ¼pm | ¼pm | Greenfield Blacks 10p | ¼pm | [illegible] |
| 62 | Nil | — | 65pm | 28pm | Greenwich Resources | 28pm | [illegible] |
| 185 | 150 | 28/10 | 150 | 22 | Hanson Trust | 121 | [illegible] |
| 15 | F.P. | — | 16½ | 17 | RTD Group IR 1.75p | 18 | [illegible] |
| 425 | F.P. | 20/9 | 505 | 440 | TACE 10p | 450 | [illegible] |
| 250 | F.P. | 55/9 | 300 | 285 | ✻Thermal Scientific | 300 | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters (or fully paid. ‖‖ Introduction. ✻ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

## NEW HIGHS AND LOWS FOR 1985

**NEW HIGHS (58)**

BRITISH FUNDS (10)
Treas. 3pc 1981 | Exchqr. 15pc 1997
Treas. 5pc '86-89 | Treas. 10½pc 1999
Treas. 13¼pc 1993 | Treas. 14pc '98-01
Exchqr. 13½pc '94 | Treas. 2pc 1988
Treas. 15¼pc 1996 | Treas. 2pc 1990

INTL. BK. & O'SEAS GOVT. STLG. ISS. (3)
Int.-Am. Dev. Bk. 12½pc 2003 | Australia 11½pc Ln. 2015
Do. 9¾pc Ln 2015

CORPORATION LOAN (1)
Herts 5¼pc '85-87

FOREIGN BONDS (1)
Hydro-Queb. 15pc '11

BANKS (4)
Comml. Bank Wales | Deutsche Bank
Commerzbank | Prov. Financial

BREWERS (1)
Clark (Matthew)

BUILDINGS (2)
Countryside Props. | Roberts Adlard

CHEMICALS (1)
Snia BPD

STORES (4)
Goldberg (A.) | Stirling Group
S. & U. Stores | Top Value Inds.

ELECTRICALS (1)
Whitworth Electric

ENGINEERING (1)
Porter Chadburn

FOODS (4)
Batleys | Kwik Save
Dee Corp. | Slaters Food

INDUSTRIALS (5)
Assoc. Brit. Ports | Magnolia
Astbury & Madeley | Tomkins (F. H.)
British Syphon

LEISURE (2)
Pleasurama 7pc Cnv. Cum. Red. Prf. | Pleasurama

MOTORS (2)
Bramall (C. D.) | Armstrong Eqpt.

NEWSPAPERS (1)
Independent

PAPER (1)
Trade Promotion

PROPERTY (7)
Clayform Properties | Mann & Co
Evans of Leeds | Mucklow (A
Land Investors | Regentcrest
Lond. Edinb'gh Tst.

TRUSTS (7)
Ambrose Inv. Cap. | M. & G. 2nd
Derby Trust Cap. | SPLIT Cap.
Drayton Premier | Park Place
Lowland Inv.

**NEW LOWS (30)**

AMERICANS (7)
Bankers N.Y. | Gt. Western
BASIX | Lowe's
Chemical N. York | Merrill Lynch
Citicorp

BANKS (1)
MCorp

BUILDINGS (1)
Tarriff

CHEMICALS (1)
Engelhard

STORES (1)
Amber Day

ELECTRICALS (2)
Eurotherm Intl. | Kode Intl.

ENGINEERING (1)
Belgrave

INDUSTRIALS (2)
Eastern Produce | Kershaw

MOTORS (1)
Solex A

PAPER (2)
Good Relations | Thorpac

PROPERTY (1)
Control Securities

TEXTILES (2)
Corah | Munton Bros.

TRUSTS (2)
Camellia Invs. | Fledgeling

OILS (3)
Jebsens Drilling | Pict Petroleum
New London Oil

OVERSEAS TRADERS (1)
Polly Peck Intl.

PLANTATIONS (1)
Williamson Tea

MINES (1)
Metals Exploration

## LONDON TRADED OPTIONS

| Option | | Calls Oct | Calls Jan. | Calls Apr. | Puts Oct. | Puts Jan. | Puts Apr. |
|---|---|---|---|---|---|---|---|
| B.P. (*525) | 500 | 37 | 52 | 55 | 7 | 14 | 26 |
| | 550 | 12 | 27 | 35 | 33 | 57 | 43 |
| | 600 | 1½ | 11 | 17 | 78 | 78 | 83 |
| Cons. Gold (*442) | 390 | 55 | 62 | 74 | 5 | 8 | 17 |
| | 420 | 25 | 48 | 50 | 10 | 25 | 35 |
| | 460 | [illegible] | 26 | 34 | 42 | 47 | 57 |
| [illegible] | | | | | | | |

| Option | | Calls Nov. | Calls Feb. | Calls May | Puts Nov. | Puts Feb. | Puts May |
|---|---|---|---|---|---|---|---|
| Racal (*158) | 130 | 17 | 24 | 30 | 5 | [illegible] | [illegible] |
| | 140 | 11 | 18 | 24 | 11 | [illegible] | [illegible] |
| | 150 | 5 | 11 | 15 | 24 | [illegible] | [illegible] |
| | 180 | 2 | 5 | 10 | 44 | [illegible] | [illegible] |
| R.T.Z. (*079) | 600 | 22 | 150 | — | 4 | [illegible] | [illegible] |
| | 550 | 50 | 50 | 72 | 11 | [illegible] | [illegible] |
| | 600 | 23 | 33 | 44 | 35 | [illegible] | [illegible] |
| [illegible] | | | | | | | |

September 17 Total Contracts 8,593 Calls 4,849 Puts 3,744

*Underlying security price.

# WORLD STOCK MARKETS

## AUSTRIA

[illegible]

## BELGIUM/LUXEMBOURG

[illegible]

## DENMARK

[illegible]

## FRANCE

[illegible]

## GERMANY

[illegible]

## ITALY

[illegible]

## NETHERLANDS

[illegible]

## NORWAY

[illegible]

## SPAIN

[illegible]

## SWEDEN

[illegible]

## SWITZERLAND

[illegible]

## AUSTRALIA

[illegible]

## AUSTRALIA (continued)

[illegible]

## HONG KONG

[illegible]

## JAPAN

[illegible]

## JAPAN (continued)

[illegible]

## SINGAPORE

[illegible]

## SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

# CANADA

### TORONTO

*Prices at 2.30pm September 17*

[illegible]

F—No voting rights or restricted voting rights.

### MONTREAL

*Closing prices September 16*

[illegible]

# Indices

## NEW YORK—DOW JONES

[illegible]

### STANDARD AND POORS

[illegible]

### N.Y.S.E. ALL COMMON

[illegible]

### RISES AND FALLS

[illegible]

### NEW YORK ACTIVE STOCKS

[illegible]

| TORONTO | Sept 17 | Sept 16 | Sept 13 | Sept 12 | 1985 High | 1985 Low |
|---|---|---|---|---|---|---|
| Metals & Minls | 1,913.5* | 1,948.2 | 1,942.8 | 1,951.74 | 2198.7 (13/2) | 1905.9 (4/1) |
| Composite | 2,695.1* | 2,698.1 | 2,710.2 | 2,725.33 | 2819.8 (30/8) | 2348.5 (8/1) |
| MONTREAL Portfolio | 129.84* | 131.85 | 132.35 | 132.82 | 138.33 (19/7) | 117.98 (4/1) |

* Indicates pre-close figure

[illegible]

# OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

Continued from Page 39

[illegible]

## LONDON

Chief price changes (in pence unless otherwise indicated)

| RISES | | | |
|---|---|---|---|
| Arden & Cobden | 715 | + | 200 |
| Argyll Group | 327 | + | 7 |
| Armstrong Equip | 48½ | + | 3½ |
| Baristow Eves | 99 | + | 7 |
| Bowater Ind | 340 | + | 13 |
| Bramall (CD) | 188 | + | 18 |
| CASE | 134 | + | 8 |
| Cons Gold | 440 | + | 15 |
| Robinson (Thos) | 96 | + | 8 |
| **FALLS** | | | |
| Bestobell | 220 | − | 7 |
| Brent Chem | 124 | − | 8 |
| BAe | 400 | − | 5 |
| BP | 523 | − | 9 |
| Coats Patons | 137 | − | 17 |
| Fisons | 350 | − | 10 |
| Imtec | 21 | − | 7 |
| Kode Intl | 85 | − | 45 |
| LASMO | 275 | − | 10 |
| TI | 380 | − | 6 |
| Tarmac | 328 | − | 10 |
| Thorn EMI | 374 | − | 8 |
| Trafalgar House | 384 | − | 8 |
| Travis & Arnold | 276 | − | 6 |

*Prices at 3pm, September 17*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 24⅜ | 19 | AAR | .56 | 2.9 | 14 | 84 | 22 | 21⅞ | 21⅞ | −⅛ |
| 17⅜ | 9¾ | AGS | | | 13 | 80 | 16⅛ | 16 | 16 | −⅛ |
| 16½ | 9⅝ | AMCA | | | | 9 | 10⅝ | 10¼ | 10¼ | −⅛ |
| 21½ | 15 | AMF | .25j | | 96 | 401 | 13⅜ | 15½ | 19½ | |
| 50¾ | 28¼ | AMR | | | 7 | 10795 | 40⅜ | 38⅞ | 38⅝ | −2⅛ |
| 23⅝ | 18⅝ | AMR pf2.18 | | 6.4 | | 7 | 23¼ | 23¼ | 23¼ | |
| 14¼ | 7⅞ | APL | | | | 17 | 8¾ | 8½ | 8¾ | +⅛ |
| 91⅛ | 34¾ | ASA | 2 | 5.3 | | 236 | 38½ | 37½ | 37½ | −1 |
| 27 | 11⅛ | AVX | .32 | 2.7 | 17 | 32 | 12 | 11¾ | 11⅞ | |
| 28⅛ | 19¼ | AZP | 2.72 | 12. | 7 | 487 | 23¾ | 23½ | 23⅝ | |
| 80 | 36¾ | AbtLab 1.40 | | 2.6 | 15 | 1182 | 54⅞ | 54 | 54 | −⅛ |
| 25⅞ | 20 | AccoWd .66 | | 2.4 | 15 | 426 | 21⅛ | 20½ | 20½ | −½ |
| 24¾ | 12½ | AcmeC .40 | | 2.9 | | 152 | 14⅛ | 13¾ | 13¾ | |
| 19½ | 7⅜ | AcmeE .32b | | 4.1 | 11 | 7 | 7¾ | 7¾ | 7¾ | |
| 18 | 15½ | AdaEx 1.92e | | 11. | | 44 | 17¼ | 17⅛ | 17¼ | −⅛ |
| 20 | 12½ | AdmMl .32 | | 1.8 | 7 | 64 | 17¼ | 17⅛ | 17⅛ | +⅛ |
| 17¾ | 8⅝ | AdvSys .53t | | 4.4 | 17 | 67 | 12⅜ | 12 | 12 | −¼ |
| 40⅝ | 22⅛ | AMD | | | 15 | 1662 | 26⅜ | 25⅝ | 25⅝ | −¾ |
| 12⅛ | 6⅞ | Advest .12 | | 1.4 | 18 | 314 | 9 | 8¾ | 8¾ | −⅛ |
| 15⅞ | 9½ | Aerflex | | | 11 | 82 | 15½ | 12⅞ | 12⅞ | −¼ |
| 49⅝ | 32⅞ | AetnLf 2.64 | | 8.2 | 15 | 612 | 43¼ | 42⅝ | 42⅝ | −⅛ |
| 57½ | 52⅜ | AetL pf5.79e | | 10. | | 37 | 55½ | 55¼ | 55¼ | +⅛ |
| 57⅜ | 20½ | Ahmns 1.20 | | 4.1 | 6 | 538 | 28 | 29½ | 28⅝ | −⅝ |
| 3⅝ | 2½ | Aileen | | | | 68 | 2⅝ | 2½ | 2⅝ | +⅛ |
| 57 | 42 | AirPrd 1.20 | | 2.8 | 12 | 735 | 52¼ | 51⅝ | 52⅛ | +¼ |
| 24⅜ | 19 | AirbFrt .66 | | 2.8 | 13 | 890 | 25⅛ | 22¾ | 22¾ | −¼ |
| 2⅛ | 1⅛ | AlMoa s.10e | | 5.3 | | 87 | 1⅛ | 1⅞ | 1⅛ | −⅛ |

Continued on Page 39

# NYSE COMPOSITE PRICES

Continued from Page 38

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 24 | 12⅞ | PhelpD | | | | 220 | 20⅞ | 18½ | 18½ | −⅞ |
| 55 | 34 | Phelp pr 5 | | 9.6 | | 103 | 50⅞ | 50½ | 50½ | |
| 46¾ | 26 | PhibrS .34 | | 1.8 | 19 | 6605 | 36¼ | 35 | 35⅜ | −⅞ |
| 16⅝ | 12⅞ | PhilaEl 2.20 | | 13. | 5 | 1787 | 14¼ | 14 | 14⅛ | +⅛ |
| 69 | 53 | PhilE pf8.75 | | 13. | | z200 | 66 | 66 | 66 | +½ |
| 11½ | 9¼ | PhilE pf1.41 | | 13. | | 74 | 10⅞ | 10⅝ | 10⅞ | +⅛ |
| 10⅞ | 7⅞ | PhilE pf1.33 | | 13. | | 122 | 10⅝ | 10½ | 10⅛ | −¼ |
| 61 | 46½ | PhilE pf7.85 | | 13. | | z230 | 60½ | 60 | 60 | |
| 10¾ | 7¾ | PhilE pf1.28 | | 13. | | 46 | 10 | 9⅞ | 9⅞ | −⅛ |
| 126 | 103 | Phil pf17.18 | | 14. | | 298 | 122¼ | 121¾ | 122¼ | −¼ |
| 61 | 47¼ | PhilE pf7.80 | | 13. | | z230 | 60 | 58 | 58 | −1 |
| 60 | 46½ | PhilE pf7.75 | | 13. | | z200 | 58½ | 58½ | 58½ | |
| 23¼ | 15¼ | PhilSub 1.32 | | 6.4 | 12 | 91 | 21 | 20¾ | 20¾ | −¼ |
| 85⅛ | 73⅞ | PhilMr 4 | | 5.2 | 9 | 2630 | 77⅞ | 76½ | 77 | +⅛ |
| 26¾ | 13¾ | Philpln .60 | | 2.6 | 18 | 174 | 24 | 23½ | 23½ | −⅝ |
| 64½ | 35½ | Philln pf 1 | | 1.6 | | 1 | 61½ | 61½ | 61½ | +½ |
| 16¾ | 11¼ | PhilPt s 1 | | 8.8 | 7 | 2643 | 11⅝ | 11⅜ | 11⅜ | −¼ |
| 24¾ | 20¾ | PhilPt pf1.04e | | 4.3 | | 1425 | 24⅝ | 24⅜ | 24⅜ | −⅛ |
| 28⅛ | 20⅝ | PhilVH .40 | | 1.6 | 19 | 37 | 25⅜ | 25 | 25 | −⅜ |
| 35⅜ | 23¾ | PiedA s .28 | | .9 | 0 | 714 | 30⅜ | 29¾ | 29¾ | −⅝ |
| 34 | 25¾ | PieNG 2.32 | | 7.3 | 11 | 166 | 32 | 32 | 32 | +½ |
| 25¼ | 14⅝ | Pier 1 | | | 15 | 117 | 23⅛ | 22⅞ | 22⅞ | −1 |
| 56⅝ | 35⅛ | Pilsbry 1.72 | | 3.1 | 12 | 3099 | 56 | 54 | 54¾ | +⅝ |
| 34 | 22¾ | Pioneer 1.24 | | 5.4 | 5 | 272 | 23¼ | 22⅞ | 22⅞ | −¼ |
| 28¾ | 13½ | PionrEl .17r | | 1.2 | | 102 | 14⅞ | 14¾ | 14¾ | |
| 45½ | 28⅞ | PitnyB 1.20 | | 3.2 | 10 | 421 | 37⅞ | 37⅜ | 37⅝ | +½ |
| 98 | 61⅛ | PitnB pf2.10 | | 2.8 | | 2 | 75 | 75 | 75 | +½ |
| 13⅜ | 9⅝ | Pittstn | | | | 160 | 16 | 12¾ | 12¾ | −¼ |
| 21 | 17 | PlanPt n | | | | 69 | 19¾ | 18½ | 18¾ | −1⅛ |
| 17⅜ | 6¾ | PlanRs .20 | | 1.2 | 16 | 287 | 16¾ | 16¼ | 16¼ | −⅜ |
| 11⅞ | 7 | Plantrn .16b | | 1.8 | 11 | 103 | 9¼ | 9¼ | 9¼ | −¼ |
| 13⅝ | 8⅝ | Playboy | | | 12 | 29 | 9⅝ | 9¼ | 9¼ | |
| 26⅞ | 19½ | Plessey .64e | | 3.1 | 13 | 10 | 20⅞ | 20⅝ | 20⅝ | −⅛ |
| 22¾ | 13⅜ | PogoPd .60 | | 4.5 | 81 | 460 | 13½ | d13¼ | 13¼ | −¼ |
| 33⅜ | 24¼ | Polarid 1 | | 3.3 | 115 | 1730 | 31¼ | 30 | 30 | −1⅛ |
| 20½ | 10¾ | Pondrs .40 | | .4 | 23 | 298 | 10⅞ | d10⅛ | 10½ | −¼ |
| 91½ | 16¾ | PopTal .60 | | 4.7 | | 15 | 17⅛ | 17⅛ | 17⅛ | |
| [illegible] | | | | | | | | | | |
| 12⅝ | 8¾ | Rollins .48 | | 4.0 | 17 | 56 | 11⅝ | 11⅝ | 11½ | |
| 3⅞ | 2 | Ronson | | | | 16 | 2⅛ | 2⅛ | 2⅛ | −⅛ |
| 10 | 11 | Roper .04 | | 5.6 | | 63 | 11⅝ | 11½ | 11½ | |
| 40¼ | 24 | Rorer 1.12 | | 2.7 | 20 | 6761 | u41¼ | 38½ | 40¼ | +1⅞ |
| 12½ | 7⅝ | Rowan .12 | | 1.5 | 48 | 404 | 6 | 7¾ | 7⅞ | |
| 62⅞ | 48 | RoylD 3.29e | | 0.7 | 6 | x2070 | 58⅞ | 58⅛ | 58⅛ | −⅛ |
| 17 | 16⅛ | Roylnt s | | | 17 | 79 | 14¼ | 14⅛ | 14⅛ | |
| 28⅛ | 15¾ | Rubmds | | | | 89 | 27⅜ | 25½ | 25½ | −1¾ |
| 28 | 14¾ | RussBr | | | 11 | 161 | 17¾ | 17 | 17 | −⅞ |
| 20¾ | 15⅝ | RusTog .76 | | 0.0 | 10 | 6 | 19⅝ | 19¼ | 19¼ | −¼ |
| 31¼ | 10 | RyanH 1 | | 4.1 | 10 | 43 | 24⅜ | 24 | 24¼ | −⅛ |
| 30⅞ | 22 | Ryder s .60 | | 2.1 | 11 | 107 | 20¼ | 20 | 28 | |
| 20 | 17 | Ryland .68 | | 2.0 | 14 | 39 | 22⅞ | 22½ | 22½ | |
| 20⅛ | 8½ | Rymer | | | 4 | 56 | 16¼ | 15⅛ | 15⅛ | −⅞ |
| 13⅜ | 11⅝ | Rymer pf1.17 | | 10. | | 180 | 11¾ | 11½ | 11⅛ | −⅜ |
| | | **S S S** | | | | | | | | |
| 73½ | 37½ | SCM | 0 | 2.7 | 17 | 2016 | 73 | 72⅝ | 72¾ | +¼ |
| 12½ | 9⅝ | SL Ind | .22 | 1.9 | 10 | 16 | 11¾ | 11⅝ | 11⅝ | |

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.



# AMEX COMPOSITE PRICES

*Prices at 3pm, September 17*

[illegible]

# OVER-THE-COUNTER

*Nasdaq national market, 2.30pm prices*

[illegible]

Continued on Page 37

# FINANCIAL TIMES
## WORLD STOCK MARKETS

### WALL STREET

## Downswing momentum intensifies

THE UNDERLYING weakness of the market surfaced yesterday on Wall Street in the form of sell orders for a wide range of stocks, *writes Terry Byland in New York.*

Turnover increased sharply as the downswing sharpened with airline stocks falling clearly into sellers' sights. The tempo was further heightened when the futures contract on the S&P 500 index showed a discount against the index itself.

At the close the Dow Jones industrial average was down 10.98 at 1,298.16.

The bond market also weakened as investors awaited the Commerce Department's "flash" estimate of third-quarter growth in GNP due on Friday. But with federal funds safely below 8 per cent again, short-term rates made little move.

This week's data on business inventories and industry operating rates has done little to narrow the spread in analysts' views on the pace of the U.S. economy. Friday's estimate of GNP growth is expected to be between 3 and 4 per cent – with the lower end of the range unlikely to please many investors.

An additional reason for indecision was the likelihood that the U.S. Treasury was about to decide on financing needs for the final quarter – although the Senate has yet to approve the required increase in the federal debt ceiling.

The stock market was quickly unsettled by discouraging news from the technology industry. Stock in Control Data made a delayed start after decisions against proceeding with its offering of $200m in notes and $100m in preferred stock.

After the disclosure that its peripheral equipment business was "not improving as previously expected," and that the loss on computer business might exceed expected earnings from the Commercial Credit subsidiary, Control Data fell $2¼ to $18, although trading was light.

The weakness in Control Data soon spread to other technology issues. IBM, which announced new typewriter models, was down $1¼ at $127¼ and Digital Equipment $¾ off at $105¾. News that Mr Stephen Jobs, founder and former chairman, might be setting up in opposition lowered Apple computer $¼ to $15.

Analysts of the airline industry turned bearish after the disclosure that passenger traffic appeared to be slowing down. A spurt of selling lowered United Airlines $3⅛ to $49¼, American $2¼ to $39½, Delta $1⅜ to $41½ and Northwest Air $2¾ to $54¼.

In addition to reducing earnings estimates on some airlines, analysts suggested taking profits in the sector, which has outperformed the industrial market over the past six months.

General Motors, $1¼ down at $67¾ led the auto sector lower. In the chemical sector, Monsanto dipped $1¼ to $46½ as it completed the acquisition of G. D. Searle.

Defence stocks continued to give ground in the face of Saudi Arabia's order to Europe for fighter aircraft. At $70½, McDonnell Douglas fell a further $1⅝ and Lockheed lost $1⅜ to $48½.

Takeover stocks played a less active role than in recent sessions. Richardson-Vicks fell $⅞ to $50⅞ in moderate turnover as Wall Street waited for the federal court hearing on Unilever's case against the Richardson management. Unilever is offering $56 a share, if it gains the support of the Richardson board, and $54 if not.

Training in SCM was subdued, with the price $¼ up at $72¾, also pending a court hearing. The SCM management group is claiming that Hanson Trust of the UK illegally bought a 25 per cent stake.

But Portec, which announced that a leveraged buyout planned by an investor group has been dropped, fell $1½ to $15⅞.

The department store sector turned easier after Macy, the premium Fifth Avenue store, announced that earnings had fallen sharply in the third quarter. At $45¼, Macy was down $1⅞. Sears dipped $⅜ to $33¾, K mart $⅜ to $31½ and J. C. Penney $½ to $48½.

Bond prices began to fall away as the session progressed. That was due to the lack of news on the Treasury's refunding plans and the fact that new debt limit proposals cleared the Senate committees and approached the full Senate.

By mid-session, bond prices were more than an eighth of a point down. Rates also edged higher at the short end despite an easing in the federal funds rate.

### KEY MARKET MONITORS


**STOCK MARKET INDICES**

| | Sept 17 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1,296.82* | 1,309.14 | 1,237.08 |
| DJ Transport | 644.08* | 659.53 | 525.02 |
| DJ Utilities | 152.95* | 153.57 | 132.75 |
| S&P Composite | 180.83* | 182.88 | 168.87 |
| **LONDON** | | | |
| FT Ord | 1,002.7 | 1,007.7 | 858.0 |
| FT-SE 100 | 1,296.0 | 1,300.2 | 1,110.5 |
| FT-A All-share | 629.43 | 631.41 | 524.12 |
| FT-A 500 | 690.91 | 693.97 | 570.74 |
| FT Gold mines | 315.4 | 317.4 | 514.5 |
| FT-A Long gilt | 10.38 | 10.41 | 10.50 |
| **TOKYO** | | | |
| Nikkei-Dow | 12,591.51 | 12,585.70 | 10,636.40 |
| Tokyo SE | 1,009.20 | 1,009.30 | 821.16 |
| **AUSTRALIA** | | | |
| All Ord. | 962.0 | 963.3 | 723.4 |
| Metals & Mins. | 524.8 | 529.1 | 432.4 |
| **AUSTRIA** | | | |
| Credit Aktien | 100.30 | 100.25 | 54.34 |
| **BELGIUM** | | | |
| Belgian SE | 2,456.39 | 2,432.74 | – |
| **CANADA** | | | |
| **Toronto** | | | |
| Metals & Minls | 1,913.5* | 1,946.2 | 2,001.0 |
| Composite | 2,665.1* | 2,698.1 | 2,396.3 |
| **Montreal** | | | |
| Portfolio | 129.84* | 131.85 | 118.81 |
| **DENMARK** | | | |
| SE | 218.59 | 216.76 | 176.46 |
| **FRANCE** | | | |
| CAC Gen | 217.8 | 218.8 | 174.9 |
| Ind. Tendance | 123.3 | 123.7 | 113.7 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 519.74 | 515.46 | 356.52 |
| Commerzbank | 1,534.0 | 1,518.4 | 1,032.1 |
| **HONG KONG** | | | |
| Hang Seng | 1,569.40 | 1,600.23 | 963.52 |
| **ITALY** | | | |
| Banca Comm. | 399.85 | 392.39 | 210.12 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 220.0 | 219.3 | 172.1 |
| ANP-CBS Ind | 192.0 | 191.8 | 134.5 |
| **NORWAY** | | | |
| Oslo SE | 364.88 | 364.17 | 263.94 |
| **SINGAPORE** | | | |
| Straits Times | 757.80 | 754.28 | 901.86 |
| **SOUTH AFRICA** | Sept 17 | Prev | Yr Ago |
| JSE Golds | – | 1,024.2 | 896.5 |
| JSE Industrials | – | 948.1 | 796.2 |
| **SPAIN** | | | |
| Madrid SE | 109.45 | 109.68 | 146.81 |
| **SWEDEN** | | | |
| J & P | 1,374.21 | 1,376.64 | 1,466.72 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 493.8 | 494.7 | 377.5 |
| **WORLD** | Sept 16 | Prev | Year ago |
| Capital Int'l | 212.8 | 213.0 | 184.8 |

**GOLD (per ounce)**

| | Sept 17 | Prev |
|---|---|---|
| London | $318.00 | $320.00 |
| Zürich | $317.45 | $319.55 |
| Paris (fixing) | $319.20 | $318.90 |
| Luxembourg | $318.75 | $319.00 |
| New York (Dec) | $321.50 | $324.50 |

* Latest available figure

**CURRENCIES**

| (London) | U.S. DOLLAR Sept 17 | U.S. DOLLAR Previous | STERLING Sept 17 | STERLING Previous |
|---|---|---|---|---|
| $ | – | – | 1.3395 | 1.343 |
| DM | 2.892 | 2.884 | 3.875 | 3.8725 |
| Yen | 241.65 | 241.35 | 323.75 | 324.0 |
| FFr | 8.81 | 8.7875 | 11.8 | 11.8 |
| SwFr | 2.38 | 2.382 | 3.1875 | 3.2 |
| Guilder | 3.2525 | 3.254 | 4.3575 | 4.37 |
| Lira | 1,929.0 | 1,942.0 | 2,584.0 | 2,608.0 |
| BFr | 58.25 | 58.15 | 78.0 | 78.1 |
| C$ | 1.37655 | 1.37475 | 1.8425 | 1.8448 |

**INTEREST RATES**

| | Sept 17 | Prev |
|---|---|---|
| **Euro-currencies** (3-month offered rate) | | |
| £ | 11½ | 11⅝ |
| SwFr | 4⅝ | 4⅝ |
| DM | 4⁹⁄₁₆ | 4⁹⁄₁₆ |
| FFr | 10 | 10⅛ |
| **FT London Interbank fixing** (offered rate) | | |
| 3-month U.S.$ | 8³⁄₁₆ | 8³⁄₁₆ |
| 6-month U.S.$ | 8⁵⁄₁₆ | 8⁵⁄₁₆ |
| **U.S. Fed Funds** | 7¾* | 8 |
| **U.S. 3-month CDs** | 7.85* | 7.90 |
| **U.S. 3-month T-bills** | 7.18* | 7.13 |

**U.S BONDS**

| Treasury | | Sept 17* Price | Sept 17* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|---|
| 8⅝ | 1987 | 99²⁹⁄₃₂ | 8.99 | 99²⁹⁄₃₂ | 8.99 |
| 10⅜ | 1992 | 100²⁹⁄₃₂ | 10.22 | 100²⁹⁄₃₂ | 10.22 |
| 10½ | 1995 | 100²⁷⁄₃₂ | 10.369 | 100²⁷⁄₃₂ | 10.36 |
| 10⅝ | 2015 | 100 ⅜₂ | 10.609 | 100¹⁷⁄₃₂ | 10.57 |

| Corporate | Sep 17* Price | Sep 17* Yield | Prev Price | Prev Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 10⅜ June 1990 | 99⅜ | 10.50 | 99⅜ | 10.50 |
| 3⅞ July 1990 | 81½ | 8.65 | 81½ | 8.55 |
| 8¾ May 2000 | 82⅜ | 11.20 | 82⅜ | 11.20 |
| Xerox | | | | |
| 10⅞ Mar 1993 | 98¼ | 10.95 | 98⅜ | 10.95 |
| Diamond Shamrock | | | | |
| 10⅜ May 1993 | 98⅜ | 11.00 | 98⅜ | 11.00 |
| Federated Dept Stores | | | | |
| 10⅜ May 2013 | 97 | 11.60 | 97 | 11.60 |
| Abbot Lab | | | | |
| 11.80 Feb 2013 | 100⅜ | 11.75 | 100⅜ | 11.75 |
| Alcoa | | | | |
| 12¼ Dec 2012 | 98⅜ | 12.40 | 98⅜ | 12.40 |

*Source: Salomon Bros*

**FINANCIAL FUTURES**

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **U.S. Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| Sept | 76–17 | 77–00 | 76–15 | 76–23 |
| **U.S. Treasury Bills (IMM)** $1m points of 100% | | | | |
| Sept | 92.89 | 92.99 | 92.87 | 92.94 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| Sept | 92.08 | 92.13 | 92.08 | 92.08 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| Dec | 91.46 | 91.52 | 91.42 | 91.48 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| Dec | 111–21 | 111–28 | 111–13 | 111–13 |

**COMMODITIES**

| (London) | Sept 17 | Prev |
|---|---|---|
| Silver (spot fixing) | 446.75p | 450.85p |
| Copper (cash) | £1,011.00 | £1,023.00 |
| Coffee (Sept) | £1,657.50 | £1,627.50 |
| Oil (spot Arabian Light) | $27.45 | $27.45 |

### TOKYO

## Blue chips encouraged by bonds

BOND PRICES advanced in Tokyo yesterday on buying of long-term government bonds by leading brokerage houses, encouraging investors to purchase large-capital stocks such as Mitsubishi Heavy Industries, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow average added 5.81 to 12,591.51 on a volume of 407.03m shares, compared with 419.04m. Losses outnumbered gains by 443 to 360, with 138 issues unchanged.

U.S. retail sales for August and other economic indicators announced last week and early this week eased investor fears that economic recovery in the U.S. would lead to a rise in interest rates. Securities companies actively bought bonds, pushing up prices steeply.

The yield on the 6.8 per cent government bonds maturing in December 1994 slipped below 6 per cent to an all-time low of 5.970 per cent against 6.085 per cent last Friday. The previous low was 6.075 per cent, registered on August 29. This is the first time that a long-term government bond has dipped below 6 per cent.

Among equities, Mitsubishi Heavy Industries led the market, advancing Y14 to a record of Y433 on a turnover of 76.69m shares – the heaviest of the day. Kawasaki Heavy Industries, third busiest with 19.50m shares, gained Y15 to Y232, Nippon Steel Y5 to Y172 and Ishikawajima-Harima Heavy Industries Y9 to Y199.

Constructions were also heavily traded, with Ohbayashi the fourth most active with a turnover of 12.64m shares as it rose Y5 to Y453. Kajima, fifth most active, jumped Y16 to Y511. The four largest brokers hope to make large-capital stocks and constructions the main market pillars in their new business year starting in October.

Mitsui Real Estate closed Y13 higher at Y967 and Sumitomo Realty and Development Y12 higher at Y930, while Nippon Express added Y10 to Y575. Sapporo Breweries advanced Y17 to Y575, reflecting its plan to redevelop idle land.

Elsewhere, Japan Air Lines fell Y190 to Y5,300 and Kikkoman fell Y20 to Y660, reflecting Saturday's resignation by the board of Manns Wine, the brewer's soy sauce subsidiary, after diethylene glycol-contaminated Austrian wine was detected in its domestically labelled products.

### HONG KONG

SPECULATION over a rise in local interest rates dampened sentiment in Hong Kong and left prices to drift sharply lower.

Pressure on the banking sector after news of a run on Macao branches of the unlisted Wing Hang Bank also contributed to the lower tone.

In banks, Bank of East Asia was steady at HK$22.50, Hang Seng eased 50 cents to HK$43.00, Wing Lung Bank fell HK$1.00 to HK$34.00 while Hongkong Bank ended unchanged at HK$7.25.

In blue chips, Cheung Kong dropped 40 cents to HK$16.00,

### SINGAPORE

EARLY WEAKNESS in Singapore was brushed aside late in the day after speculative interest returned to push prices higher.

Promet was the most active issue, rising 7 cents to S$1.26 after accounting for 9 per cent of the day's volume. Rumours of continuing sales by one of the company's large shareholders kept traders wary, however.

Pan Electric was also active, adding 4 cents to S$2.08, as was Kuala Lumpur Industries unchanged at S$1.80 and Palmco up 2 cents at S$1.31.

Among steady to firmer banks, DBS gained 9 cents to S$5.05.

### EUROPE

## Confidence fuels two centre rally

BROAD-BASED support for equities on European bourses led Frankfurt and Brussels to record levels as foreign and domestic investors expressed confidence in the economic and corporate outlooks for West Germany and Belgium.

The Commerzbank index reached its fourth peak this month with a 20.6 rise to 1,534.0, heavily under the influence of buying in West German capital goods.

Siemens was the pace-setter, adding DM 23 to a record DM 807, while AEG consolidated the previous day's advance with a DM 2.40 rise to DM 147 and Nixdorf firmed DM 5.50 to DM 581.50.

Trading started in BASF's one-for-14 rights at DM 190. The shares added DM 2.10 to DM 227.50 and the rights were quoted at about DM 2.40. In the same sector, Hoechst rose DM 3.70 to DM 22.70 and Bayer DM 3.10 to DM 225.80.

Automotive issues were sheltered from the bulk of buying support with VW adding DM 2 to DM 345, BMW DM 1 to DM 501 and Daimler DM 1 to DM 989.

Banks improved on Monday's performance. Commerzbank increased DM 4.10 to DM 224.10, while Deutsche added DM 8 to DM 599 after peaking at DM 601.

Public bonds rose up to 15pfg in moderately active trading. The Bundesbank sold DM 52m worth of paper, up on Monday's sale of DM 27.8m.

A decline in short-term interest rates and the likelihood of an alteration in the Belgian tax code that might encourage share-market investment, compounded a general bullishness and pushed the Brussels stock exchange index to a new peak.

After hovering around record levels for some time, the index moved sharply forward yesterday to close 24.65 higher at 2,456.39.

Holding companies were at the centre of support and, under heavy trading, scored the largest advances. Groupe Bruxelles Lambert firmed BFr 65 to BFr 2,005.

Petrofina, the nation's largest industrial company, firmed BFr 70 to BFr 6,210.

Utility stocks moved higher under the influence of the cut in short-term interest rates. The Belgian central bank followed by reducing by 0.10 percentage points the rate on three-month Treasury-bills. Intercom gained BFr 35 to BFr 2,305 and Ebes climbed BFr 25 to BFr 3,015.

Among chemicals, Solvay enjoyed further foreign demand and jumped BFr 250 to BFr 5,880 and UCB closed up BFr 190 at BFr 5,350.

In Amsterdam, shares moved higher before the announcement of the Dutch budget, although many investors chose to await the release of the details before further commitment to the market at current high levels.

Royal Dutch Petroleum firmed to Fl 190.80 from Fl 190.40 ex-dividend a day earlier.

Unilever added Fl 2.50 to Fl 343.0, Philips 50 cents to Fl 50.20 and Akzo 80 cents to Fl 125.30.

Banks were in demand, with NMB adding Fl 4.50 to Fl 208.50, ABN Fl 5 to Fl 500.0 and Amro 80 cents to Fl 85.80. Insurers were relatively slow although an underlying strength emerged.

Technical factors, including the imminent end of the September trading account, dampened activity in Paris and forced it against the trend in other centres.

Trading remained moderately active in Zurich with price movements generally small.

Banks were again firm with Credit Suisse up SwFr 15 to SwFr 3,055 and among regional banks, Hypo Agrau rose SwFr 140 to SwFr 1,670.

Stockholm continued to ease in response to the return of the Olof Palme Government with turnover again well down on recent levels.

The strength in trading in Milan flowed through trading again in the first session of the new month. Madrid was generally firm.

### CANADA

THE DECLINE witnessed in Toronto during the past six trading sessions continued again yesterday with prices falling across the board.

Among actively traded issues, Toronto Dominion Bank eased C$⅛ to C$23¾, Seagram C$⅛ to C$54⅞ and Canadian Pacific C$⅛ to C$16⅞.

Royal Bank lost C$⅜ to C$30⅜ after its debt rating was lowered by a Canadian agency.

In golds, Lac Minerals shed C$⅜ to C$33⅞ and Echo Bay lost C$⅛ to C$17, while in the oils sector, Ranger was off 5 cents at C$4.65 and Geocrude traded 5 cents lower at C$3.45.

All principal stock sectors were easier in Montreal.

### LONDON

## Uncertainty over oil a depressant

INVESTMENT ACTIVITY was at a low ebb in London yesterday, reflecting continued concern about crude-oil price trends ahead of next month's full meeting of Opec oil ministers.

It was left to a steady stream of corporate trading statements to promote trade. Disappointing interim results from Fisons left it 10p lower at 350p and the shock first-half profits setback reported by Coasts Patons took it 17p easier at 137p.

Mirroring the quietly dull trend, the FT Ordinary share index touched its lowest level of 1,002.3 at 11am before closing 5 points off at 1,002.7.

Gilts were becalmed

*Chief price changes, Page 37; Details, Page 36 Share information service, Pages 34-35*

### AUSTRALIA

UNCERTAINTY over the effects of new tax proposals to be presented by the Government this week combined with a drifting bullion price to leave Sydney weaker.

The All Ordinaries shaded 3.3 lower to 962.0 in moderate trading.

Mr Robert Holmes à Court's Bell Group, which announced a 62 per cent rise in profits for the year and a one-for-one free scrip issue, added 40 cents to A$9.80. Bell Resources was also higher, adding 20 cents to A$8.70. Rumours continue to circulate over Mr Holmes à Court's intention to purchase at least a 20 per cent stake in BHP.

### SOUTH AFRICA

DESPITE a lower world bullion price, golds ended mostly firmer in Johannesburg on relatively light demand.

Consolidated Gold Fields, which announced in London higher pre-tax profits for the year, said lower earnings from its South African gold-mining interests reflected a lower price for gold. Gold Fields SA ended unchanged at R30.50.

Western Deep ended R1.25 firmer at R88.25 while Kloof added 60 cents to R21 and Beatrix 15 cents to R7.25.